



Jiangsu Expressway Company Limited  
(Hong Kong Stock Exchange Stock Code: 00177)

*Intelligence*



*Excellence*

2014  
ANNUAL REPORT

## IMPORTANT NOTICE

- The board of directors (the “Board”), the supervisory committee (the “Supervisory Committee”) and the directors (the “Director(s)”), supervisors (the “Supervisor(s)”) and senior management of Jiangsu Expressway Company Limited (the “Company”) warrant the truthfulness, accuracy and completeness of the contents of this annual report and guarantee there are no false representations, misleading statements contained in, or material omissions from, and jointly and severally accept legal responsibility for this report.
- All Directors of the Company attended the Board meeting.
- The annual financial statements of the Company for the Reporting Period were prepared in accordance with the PRC Accounting Standards, and audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP who has issued an auditor’s report with standard unqualified opinion. Investors are advised to read the whole text.
- Mr. Qian Yong Xiang, Director and general manager of the Company, and Ms. Yu Lan Ying, financial controller of the Company, warrant the truthfulness, accuracy and completeness of the financial statements in this annual report.
- Profit Distribution Scheme: In 2014, the Group recorded net profit attributable to the shareholders of the Company (the “Shareholders”) of approximately RMB2,574,754,000. Earnings per Share was RMB0.511. Based on the total Share capital of the Company of 5,037,747,500 Shares, the Board has proposed to distribute a final cash dividend of RMB0.38 (tax inclusive) per share to all Shareholders.
- **This annual report involves forward-looking statements including development strategies and future plans, which do not constitute actual commitments of the Company to investors. Investors are advised to pay attention to the investment risks involved.**
- No appropriation of funds by the controlling shareholder or other related parties/connected persons for non-operating purpose was found in the Company.
- The Company did not provide external guarantees which were in violation of stipulated procedures.
- Unless otherwise stated, the amounts stated in this report are in RMB.



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# DEFINITIONS AND MAJOR RISK ALERTS

In the report, unless the context requires otherwise, capitalized terms used herein shall have the same meanings as defined as follows:

A Shares	RMB-denominated ordinary Shares listed on the SSE
ADR	level-1 depositary receipts of the Company listed and traded in the over-the-counter market of the United States
Bank of Jiangsu	Bank of Jiangsu Co., Ltd.
Changjia Expressway	Kunshan-Wujiang Section of Changshu-Jiaxing Expressway
China Merchants Huajian	China Merchants Huajian Highway Investment Co., Ltd.
Company	Jiangsu Expressway Company Limited
Controlling Shareholder/ Communications Holdings	Jiangsu Communications Holdings Company Limited
CSRC	China Securities Regulatory Commission
Deloitte	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Far East Shipping	Jiangsu Far East Shipping Co., Ltd.
G312	Nanjing-Shanghai Section of G312
Group	the Company and its subsidiaries
Group Finance Co., Ltd.	Jiangsu Communications Holding Group Finance Co., Ltd.
Guangjing Expressway	The north connection of Jiangyin Yangtze Bridge, Guangling-Jingjiang Section
Guangjing Xicheng	Jiangsu Guangjing Xicheng Expressway Company Limited
H Shares	overseas-listed foreign Shares listed on the Stock Exchange
Hong Kong Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Jiangsu GCL Gas	Jiangsu GCL Gas Co., Ltd.
Jiangsu Leasing	Jiangsu Leasing Co., Ltd.
Jiangsu Petroleum	Jiangsu Expressway Petroleum Company
Jiangsu Sundian	Jiangsu Sundian Engineering Co., Ltd.
Jiangyin Bridge	Jiangyin Yangtze Bridge
Kuailu Company	Jiangsu Kuailu Motor Transport Co., Ltd.
Listing Rules	Listing Rules of SSE and/or Hong Kong Listing Rules
Listing Rules of SSE	Rules Governing the Listing of Stocks on Shanghai Stock Exchange
Luode Fund Company	Jiangsu Luode Equity Investment Fund Management Company Limited
Nanjing-Lianyungang Highway	Nanjing Section of Nanjing-Lianyungang Highway
Network Operation Company	Jiangsu Expressway Network Operation and Management Co., Ltd.
Ningchang Zhenli	Ningchang Zhenli Expressway Company Limited

## DEFINITIONS AND MAJOR RISK ALERTS

Ninghu Investment	Jiangsu Ninghu Investment Development Co., Ltd.
Ninghu Properties	Jiangsu Ninghu Properties Co., Ltd.
PRC Accounting Standards	“Accounting Standards for Business Enterprises of the People’s Republic of China 2006”
Reporting Period	the financial year from 1 January 2014 to 31 December 2014
SFC	Securities and Futures Commission of Hong Kong
SSE	Shanghai Stock Exchange
Stock Exchange	The Stock Exchange of Hong Kong Limited
Shanghai-Nanjing Expressway	Jiangsu Section of Shanghai-Nanjing Expressway
Sujiayong Company	Suzhou Sujiayong Expressway Co., Ltd.
Sujiahang Expressway	Jiangsu Section of Suzhou-Jiaxing-Hangzhou Expressway
Sujiahang Company	Suzhou Sujiahang Expressway Co., Ltd.
Traffic Construction Bureau	Jiangsu Communication Engineering Construction Bureau
Xicheng Expressway	The south connection of Jiangyin Yangtze Bridge, Jiangyin-Wuxi Section
Xiyi Company	Jiangsu Xiyi Expressway Company Limited
Yanjiang Company	Jiangsu Yanjiang Expressway Co., Ltd.
Yanjiang Expressway	Changzhou-Taicang Expressway
YOY	as compared with the same period of 2013
Zhendan Company	Jiangsu Zhendan Expressway Company Limited
Zhendan Expressway	Zhenjiang-Danyang Expressway

The English translation of the PRC entities, enterprises, nationals, facilities, regulations in Chinese included in this annual report is for identification purposes only.

To the extent of inconsistency between the Chinese names of the PRC entities, enterprises, nationals, facilities, regulations and their respective English translations, the Chinese names shall prevail.

### Major Risk Alerts

The risk factors that the Group may face in the operation and development of business in the future have been described in this annual report. Investors are advised to refer to the part headed “Discussion and Analysis of Future Development” under Section IV “Report of the Directors”.

# COMPANY INFORMATION

## I. General Information

### (1) Company information

Chinese and English Name	江蘇寧滬高速公路股份有限公司 Jiangsu Expressway Company Limited
Chinese and English Short Name	寧滬高速 Jiangsu Expressway
Legal Representative	Qian Yong Xiang

### (2) Contacts

	Secretary to the Board	Securities Officers
Name	Yao Yong Jia	Jiang Tao, Lou Qing
Correspondence Address	6 Xianlin Avenue, Nanjing, Jiangsu Province, the PRC	
Telephone	8625-84469332	8625-84362700-301835、301836
Fax	8625-84466643	
Email	jsnh@jsexpwy.com	

### (3) Basic information of the Company

Registered address and office address	6 Xianlin Avenue, Nanjing, Jiangsu Province, the PRC
Postcode	210049
Website	<a href="http://www.jsexpressway.com">http://www.jsexpressway.com</a>
Email address	jsnh@jsexpwy.com

### (4) Information disclosure and place for inspection

Designated newspapers for information disclosure by the Company	Shanghai Securities News and China Securities Journal
Designated websites for information disclosure	<a href="http://www.sse.com.cn">www.sse.com.cn</a> ; <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> ; <a href="http://www.jsexpressway.com">www.jsexpressway.com</a>
Places where annual reports of the Company are available for inspection	Shanghai Stock Exchange, 528 Pudong Road South, Shanghai, the PRC; Hong Kong Registrars Limited, Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong; Reed Smith Richards Butler, 20th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong; Jiangsu Expressway Company Limited, 6 Xianlin Avenue, Nanjing, Jiangsu, the PRC

## COMPANY INFORMATION

### (5) Information on the Company's shares

Type of Shares	Stock exchanges/locations where the Company's shares are listed	Stock name	Stock code
A Shares	Shanghai Stock Exchange	寧滬高速	600377
H Shares	The Stock Exchange of Hong Kong Limited	Jiangsu Expressway	00177
ADR	The United States	JEXYY	477373104

### (6) Particulars of registration of the Company during the Reporting Period

Date of Registration as at the date of registration	1 August 1992
Registration address	Shengzhou Road, Nanjing, Jiangsu Province
SAIC registration number of the Company	320000000004194
Tax registration number of the Company	320003134762764
Company organization code	13476276-4



## COMPANY INFORMATION

### (7) Other relevant information

Auditors appointed by the Company (domestic)	Name	Deloitte Touche Tohmatsu Certified Public Accountants LLP
	Office address	30/F, Bund Center, 222 Yan An Road East, Shanghai, the PRC
	Authorized accountants as signatories	Tang Jiasong, Bu Jun
Domestic Legal Advisors	Name	C & T Partners Law Firm Office
	Address	5/F, 26 Beijing Road West, Nanjing
Hong Kong Legal Advisors	Name	Reed Smith Richards Butler
	Address	20/F, Alexandra House, 18 Chater Road, Central, Hong Kong
Domestic Share Registrar and Transfer Office	Name	China Securities Depository & Clearing Corporation Limited Shanghai Branch
	Address	Level 36, China Insurance Building, 166 East Lujiazui Road, Pudong New District, Shanghai, the People's Republic of China
Registrar of share transfer in Hong Kong	Name	Hong Kong Registrars Limited
	Address	Shop 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Hong Kong Financial Public Relations Consultant	Name	Wonderful Sky Financial Group Holdings Limited
	Address	6/F, Nexus Building, 41 Connaught Road Central, Hong Kong
	Telephone	(852)3970 2139
	Fax	(852)2598 1588





## COMPANY INFORMATION

### II. Company Profile

The Company was incorporated as a joint stock limited company on 1 August 1992 in the Jiangsu Province of the People's Republic of China. The current registered capital amounts to RMB5.038 billion.

The Company is principally engaged in investment, construction, operation and management of the Shanghai-Nanjing Expressway and other toll highways within the Jiangsu Province owned or invested by the Group. It also develops passenger transportation and other ancillary services along these highways (including refuelling, catering, retailing, advertising and accommodation, and so forth).

The Company is the only listed company in the transportation and infrastructure industry of the Jiangsu Province. On 27 June 1997, the Company issued 1,222,000,000 H Shares which were listed on the Stock Exchange. On 16 January 2001, the Company issued 150,000,000 A Shares which were listed on the SSE. The Company established ADR which came into force on 23 December 2002, trading in the over-the-counter market in the United States of America. As at 31 December 2014, the total share capital of the Company was 5,037,747,500 shares with a nominal value of RMB1 each.

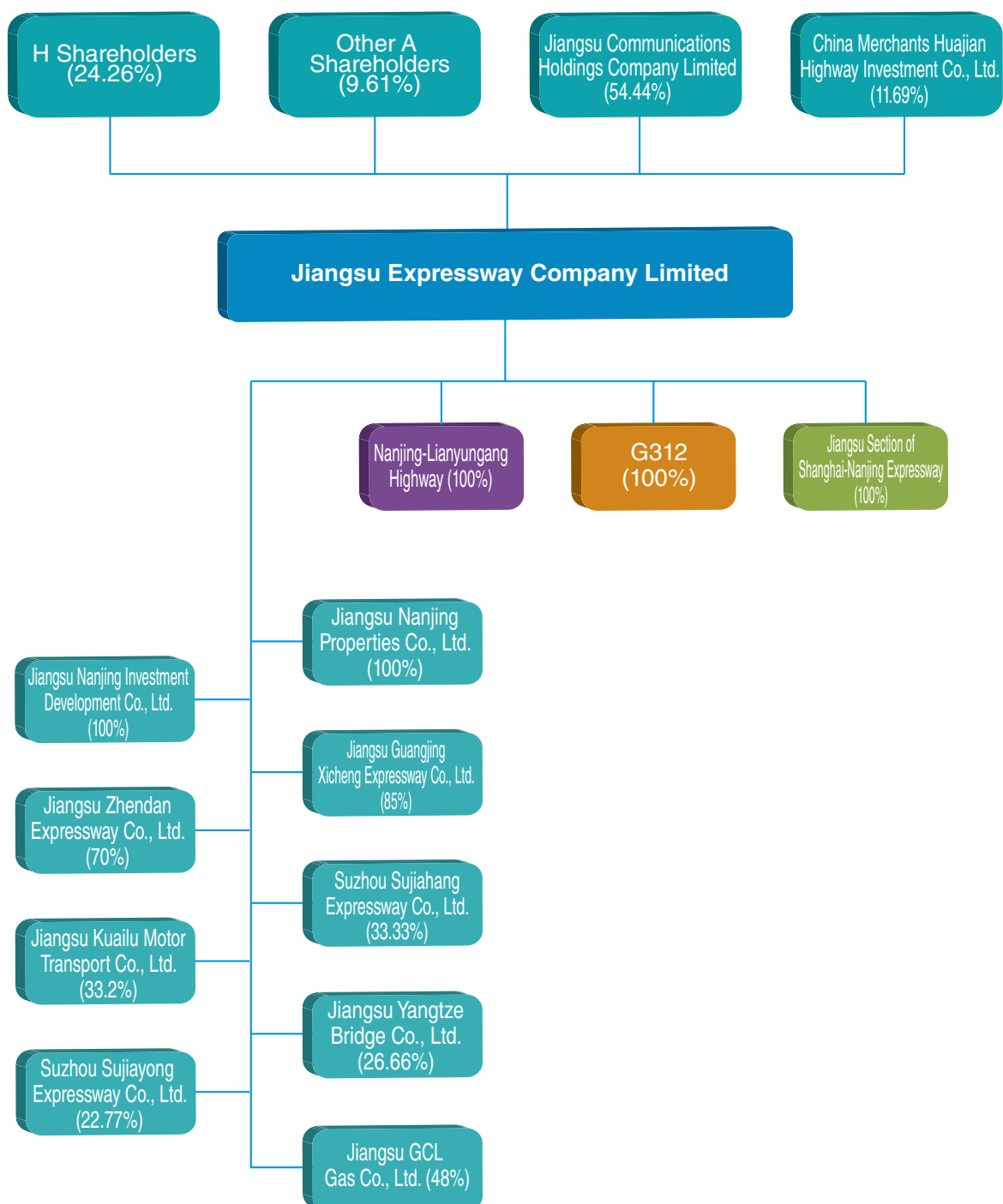
The Company is principally engaged in investment, construction, operation and management of toll roads and bridges. Apart from the Shanghai-Nanjing Expressway, the Company also owns the entire or partial interests of other toll roads and bridges located in the Jiangsu Province, including G312, Nanjing-Lianyungang Highway, Xicheng Expressway, Guangjing Expressway, Jiangyin Yangtze Bridge and Sujiahang Expressway. As at 31 December 2014, the highway mileage owned or managed through investment by the Company exceeded 850 kilometers, with total assets amounting to RMB27.445 billion. The Company is one of the PRC's largest listed companies in the toll road industry in terms of total assets.

The Company's operations are located in one of the most economically energetic regions in the PRC — the Yangtze River Delta. The roads and bridges owned or invested by the Company are major road transportation corridors linking the east-to-west and south-to-north of the Jiangsu Province. Such an active economy leads to heavy flows of transportation. The Jiangsu Section of Nanjing-Shanghai Expressway, the Company's core asset, connects six major cities, including Shanghai, Suzhou, Wuxi, Changzhou, Zhenjiang and Nanjing, and has become one of the busiest expressways in the PRC.

The Company, Ninghu Properties, Ninghu Investment and Guangjing Xicheng are collectively referred to as the Group. During the Reporting Period, Ninghu Properties (a subsidiary of the Company) established a wholly-owned subsidiary Ninghu Properties; and at the end of the Reporting Period, the Company established Zhendan Company, of which the Company holds 70% equity interests. The aforementioned newly established subsidiaries have been included in the scope of consolidation for the financial statements of the Group.

## COMPANY INFORMATION

### III. Major asset structure of the Group



# HIGHLIGHTS OF ACCOUNTING INFORMATION AND FINANCIAL INDICATORS

Financial statements for the year 2014 prepared by the Company in accordance with the PRC Accounting Standards were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP whose audited report expressed a standard unqualified opinion on the financial statements.

## ◆ Principal accounting data of the Group for the past five years:

Unit: RMB

Principal accounting data	2014	2013	Increase/ decrease over the previous year %	2012	2011	2010
Operating revenue	7,879,076,285	7,614,226,717	3.48	7,795,942,681	7,401,310,221	6,756,244,112
Net profit attributable to the shareholders of the Company	2,574,754,312	2,707,743,147	-4.91	2,333,344,558	2,429,750,207	2,484,404,028
Net profit attributable to the shareholders of the Company after non-recurring items	2,575,500,757	2,648,402,925	-2.75	2,342,604,374	2,430,245,112	2,475,691,840
Net cash flow from operating activities	3,092,012,620	3,084,162,160	0.25	3,189,409,926	3,835,414,221	3,391,632,351
	End of 2014	End of 2013	Increase/ decrease over the end of the previous year %	End of 2012	End of 2011	End of 2010
Net assets attributable to the shareholders of the Company	20,348,338,531	19,596,483,889	3.84	18,688,861,700	18,144,689,549	17,563,723,203
Total liabilities	6,508,215,110	6,735,684,631	-3.38	6,693,781,895	6,767,628,925	6,873,448,705
Total assets	27,444,862,983	26,833,912,370	2.28	25,849,257,639	25,375,438,896	24,897,493,133

## HIGHLIGHTS OF ACCOUNTING INFORMATION AND FINANCIAL INDICATORS

### ◇ Major financial indicators of the Group for the past five years:

Unit: RMB

Principal financial indicator	2014	2013	Increase/ decrease over the previous year %	2012	2011	2010
Basic earnings per share	0.511	0.538	-4.91	0.463	0.482	0.493
Diluted earnings per share	N/A	N/A	N/A	N/A	N/A	N/A
Basic earnings per share after non-recurring profit/loss	0.511	0.526	-2.75	0.465	0.482	0.491
Weighted average return on net assets (%)	13.21	14.49	-1.28	12.99	13.96	14.81
Weighted average return on net assets after non-recurring items (%)	13.21	14.17	-0.96	13.04	13.97	14.76

### ◇ Non-recurring items and amounts deducted:

Unit: RMB

Non-recurring items	Amount for 2014	Note (if applicable)	2013	2012
Gain/loss from disposal of non-current assets	-1,704,564		81,162,042	-15,674,713
Government subsidies recognized in the profit or loss in the period	7,370,000	Subsidies for environmental protection received	600,000	192,000
Gains or losses from changes in the fair value of held-for trading financial assets and held-for trading financial liabilities recognized in profit or loss as well as investment revenue from disposal of held-for trading financial assets, held-for trading liabilities and available-for-sale financial assets, save the effective hedging activities relating to the Company's ordinary operations	10,866,275	Gains from short-term wealth management for funds and from the changes in the fair value of held-for trading financial assets	7,119,212	15,323,368
Reversal of provision for accounts receivable which were tested for impairment losses individually	50,633		500,000	500,000
Other non-operating income and expenses other than the aforesaid items	-17,906,907		-11,427,395	-12,254,487
Effects of minority interests	246,977		222,343	-196,450
Effects of income tax	331,141		-18,835,980	2,850,466
Total	-746,445		59,340,222	-9,259,816

## HIGHLIGHTS OF ACCOUNTING INFORMATION AND FINANCIAL INDICATORS

### ◆ Items measured at fair value:

During the Reporting Period, financial assets calculated on a fair value basis held by the Group were the fund investment, gold investment and wealth management products of Ninghu Investment, a subsidiary of the Group. The fair value as at the end of the year amounted to RMB245,702,000. The fair value of fund investment and gold investment were recognized based on the net value of relevant funds and gold available in the open market at the end of the year; the Group estimated the future cash flows using the expected profit margin and discounted the future cash flows using the interest rate confirmed through the best estimation of expected risk exposures. The resulting figure was then used as the main input in the Group's valuation method to calculate the fair value of the wealth management product in question.

Unit: RMB

Item	Opening balance	Closing balance	Change	Amount affecting the profit of the Reporting Period
Fund investment	20,175,395	24,539,264	4,363,869	4,363,869
Wealth management products	147,000,000	206,750,000	59,750,000	0
Gold investment	0	14,412,558	14,412,558	-1,297,680
Total	167,175,395	245,701,822	78,526,427	3,066,189

# REPORT OF THE DIRECTORS



## Qiang Yong Xiang

Director and General Manager

### I. Discussion and Analysis of the Board on the Operation of the Company during the Reporting Period

#### (I) Business Review and Analysis of Operations

##### I. Business Overview

The Group is principally engaged in the investment, construction, operation and management of toll roads and bridges in the Jiangsu Province as well as ancillary services at service areas along such roads. The Group is also actively exploring and venturing into new business fields, such as property investment and development, distribution of advertising media along expressways and other financial and industrial investment with the aim to find new revenue growth opportunities and achieve the sustainable development of the Group.

During the Reporting Period, the Group realized total operating revenues of approximately RMB7,879,076,000, increased by approximately 3.48% year-on-year, of which toll revenue amounted to approximately RMB5,372,221,000, representing an increase of approximately 0.51% year-on-year; revenue from ancillary services amounted to approximately RMB2,207,416,000, representing an increase of 2.66% year-on-year; revenue from property sales amounted to RMB253,557,000, representing an increase of 237.18% year-on-year; and revenue from advertising and other operations amounted to approximately RMB45,882,000, up by approximately 4.38% year-on-year. Under the PRC Accounting Standards, the Group realized an operating profit of approximately RMB3,467,262,000 during the Reporting Period, representing a decrease of approximately 2.53% as compared to the same period in 2013. Net profit attributable to the shareholders of the Company was approximately RMB2,574,754,000 and earnings per share was approximately RMB0.511, representing a decrease of approximately 4.91% as compared to the same period in 2013.

## REPORT OF THE DIRECTORS



### II. Toll road and bridge operations

#### (I) Analysis of Business Environment

##### ◇ Impact of the macroeconomic environment

In 2014, the macro economy maintained generally stable, GDP amounted to 7.3%. and the key indicators were within a reasonable range. In particular, while the economy achieved a steady progress amid a mild slowdown in growth, the effect of structural optimization was reinforced. For the year, the gross regional product in Jiangsu province was recorded a year-on-year increase of 8.7%, and the society kept a moderate economic growth and progressed steadily with improvement in new normal (*source of data: Governmental statistics information website*). The macroeconomic environment is an essential factor affecting the demands for transportation. In this environment, the traffic volumes of most of road and bridge projects of the Group for the year 2014 still kept a natural growth to some extent.

##### ◇ Policy's impact on toll roads

For this year, the policy environment of the industry remained relatively stable and central and local governments haven't released policies with significant impacts on the toll roads industry. The amendments to the Regulation on the Administration of Toll Roads were still continued, which haven't yet been promulgated. The policies of toll-free travel for small passenger vehicles in major festivals and holidays and toll-free green passage for vehicles carrying fresh and live agricultural products were continuously implemented, which was a factor of affecting the toll business revenue for the year. According to the estimation, in respect of the toll-free travel for 20 days for small passenger vehicles in major festivals and holidays in 2014, the Group's toll revenue decreased approximately RMB230 million in total (2013: approximately RMB200 million), and the aggregated fees for toll-free green passage for vehicles amounted to approximately RMB115 million (2013: approximately RMB117 million).

## REPORT OF THE DIRECTORS



◇ Development of demands for transportation and changes in competition pattern

In 2014, the passenger and cargo transportation volumes of Jiangsu Province rose by 2.5% and 7.5% year on year, respectively. Turnover of passengers and goods increased by 6.9% and 4.7% year on year, respectively, representing a relative decrease in the growth rate. As at the end of the year, vehicle ownership for civilian use totaled 11,040,000, representing an increase of 15.7%, and vehicle ownership for private cars totaled 9,357,000, representing an increase of 18.4%, of which, the number of private sedan ownership was 6,656,000, representing an increase of 20.0% (*data source: governmental statistics information website*). The continuous stable development of car ownership would be the most direct drive to the growth of road traffic flow, and meanwhile a higher car ownership in the region would give more free play to the competitive advantage of highways in the short and medium distance transportation and thus improve the ability to resist diversion impact of other transport modes.

◇ Changes in competition pattern

As at the end of 2014, total operating expressway mileage in the Jiangsu Province amounted to 4,488.3 kilometers, with newly-added mileage of 45.3 kilometers (*data source: governmental statistics information website*). At the end of 2013, after the opening of Lima Expressway (Lishui-Ma'anshan) and Ma'anshan Bridge, which gradually diverted vehicles in the areas along Anhui to southern Jiangsu from west section of Shanghai-Nanjing Expressway (Nanjing-Changzhou) to Ningchang Expressway, and the rationing restrictions on non-local passenger vehicles and trucks within Nanjing Ring Road (南京繞城公路), led to the year-on-year slowdown of growth rate in the traffic flow of the west section of Shanghai-Nanjing Expressway and a significant year-on-year reduction of truck flow in 2014. Ningchang Expressway currently has become the main bypass roads of west section of Shanghai-Nanjing Expressway, resulting in adverse impact on the overall traffic volume of Shanghai-Nanjing Expressway for the year. In the meantime, traffic control on non-control lorries of the Nanjing 2nd Bridge (南京二橋) began from 1 April, which also brought the negative effect to some extent on the connected Nanjing-Lianyungang Highway.

In respect of competition from railways, the railways operation mileage of Jiangsu Province at the end of 2014 amounted to 2,632.4 kilometers (*source of data: Governmental statistics information website*). The current three passenger rail lines, including Beijing-Shanghai High Speed Railway, Shanghai-Nanjing Intercity High Speed Railway and Nanjing-Hangzhou High Speed Railway, in the operation location of the Group have maintained basically stable after a period of operation, which did not have further diversion impact on passenger and cargo transport on expressways of the Group, resulting in a general stability of the competition pattern between roads and railways.



## REPORT OF THE DIRECTORS



### (II) Operating management measures

In order to improve the operating management and projects operational performance of the expressway, The Group carries out an intensive study on the functional positioning and features of neighboring economic regions of the projects, and pays continuous attention to the changes and travelling direction of vehicles in road networks, comprehensively promotes the information management of expressway, strengthens the maintenance of roads quality and improves the traffic efficiency, so as to provide safe, efficient and quality traffic services for the drivers and passengers, resulting in enhancing the competitiveness and operational performance of the projects. The specific measures include:

**To comprehensively promote the informationization of expressway.** In 2014, the Company comprehensively improved the construction of informationization demonstration project of integrated management and public service of Shanghai-Nanjing Expressway, built “one data center, two application systems” and standardized system and operational maintenance system. In January 2015, the Company passed the acceptance inspection organized by Jiangsu Transport Department since the pilot operation of the system remained function stable and good condition in use, which reached the expected target of the project construction. Currently, the demonstration project has played an active role in the aspect of analysis and application of big data, improvement of command and coordination capacity, promotion of hindrance clearing and rescue efficiency all fronts, etc. in the operating management of Shanghai-Nanjing Expressway, resulting in the operation of road networks and service intelligence skills further enhancing. In addition, the phase II integrated management system is under the plan, which aims at improving the comprehensively management of the Company by means of informationization.

**To strengthen the maintenance of roads quality and improve the traffic capacity of roads.** In order to welcome the convening of 2014 Nanjing Youth Olympic Games and the holding of first national memorial day, the Company implemented the environmental regulation along the roads for 4 months. In the meantime, the Company continued to enhance the daily maintenance and special repair projects of roads, which maintained favorable road technical conditions. In terms of high traffic volume of expressways which has become normal currently, the Company made reasonable arrangement of personnel to guarantee the sufficient stations during peak hours. The Company also strengthened 24-hour monitoring to ensure safe and smooth passage with no blind spot. During the period of major holidays, the Company made early preparation, implemented pre-arranged plan of ensuring smoothness, increased hindrance clearing stations and newly increased dynamic stations in congested road sections with accidents, which effectively dealt with the high traffic volume during the holidays and maintained a higher hindrance clearance service level all around the year.

## REPORT OF THE DIRECTORS



### (III) Business performance and analysis on project operation

In 2014, the Group recorded a toll revenue of approximately RMB5,372,221,000, representing a year-on-year increase of approximately 0.51% and accounting for 68.18% of total revenue from operation of the Group. Details of the operations of each of the road and bridge projects are set out as below:

#### Comparison of average daily traffic volume and toll revenue

Road/Bridge	Average daily traffic volume (vehicle/day)			Average daily toll revenue (RMB'000/day)		
	2014	2013	Change %	2014	2013	Change %
Shanghai-Nanjing Expressway	74,129	71,460	3.73	12,303.87	12,388.4	-0.68
G312	8,648	9,125	-5.23	145.21	146.4	-0.81
Nanjing-Lianyungang Highway	4,318	4,910	-12.06	82.03	100.5	-18.39
Guangjing Expressway	55,620	51,214	8.60	772.26	712.6	8.37
Xicheng Expressway	59,986	55,139	8.79	1,415.04	1,295.8	9.20
Jiangyin Yangtze Bridge	66,572	61,392	8.44	2,657.51	2,464.0	7.86
Sujiahang Expressway	52,178	47,669	9.46	3,131.69	2,863.7	9.36

## REPORT OF THE DIRECTORS



### Ratios of traffic volume and toll revenue between passenger vehicles and trucks

Road/Bridge	Vehicle type	Average daily traffic volume of passenger vehicles/trucks (vehicle/day)					Average daily full-trip revenue per vehicle (RMB/Vehicle)		
		Reporting Period		Corresponding period of the previous year		Change	Reporting Period	Corresponding Period of the previous year	Change
		Traffic volume	Proportion	Traffic volume	Proportion				
Shanghai-Nanjing Expressway	Passenger vehicles	54,827	73.93%	51,410	71.94%	6.65%	166.0	173.4	-4.27%
	Trucks	19,303	26.07%	20,050	28.06%	-3.73%			
G312	Passenger vehicles	5,170	59.79%	5,489	60.15%	-5.81%	16.8	16	5.00%
	Trucks	3,478	40.22%	3,636	39.85%	-4.35%			
Nanjing-Lianyungang Highway	Passenger vehicles	2,461	56.99%	2,536	51.64%	-2.95%	19.0	20.5	-7.32%
	Trucks	1,857	43.01%	2,374	48.36%	-21.77%			
Guangjing Expressway	Passenger vehicles	40,205	72.29%	36,617	71.50%	9.80%	13.9	13.9	—
	Trucks	15,415	27.71%	14,597	28.50%	5.60%			
Xicheng Expressway	Passenger vehicles	45,019	75.05%	40,981	74.32%	9.85%	23.6	23.5	0.43%
	Trucks	14,966	24.95%	14,158	25.68%	5.71%			
Jiangyin Yangtze Bridge	Passenger vehicles	48,249	72.47%	44,197	71.99%	9.17%	39.9	39.9	—
	Trucks	18,323	27.53%	17,195	28.01%	6.56%			
Sujiayang Expressway	Passenger vehicles	32,642	62.56%	29,161	61.17%	11.94%	60.0	60.1	-0.17%
	Trucks	19,536	37.44%	18,509	38.83%	5.55%			

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Viewing from the operating performance of all projects, for 2014, the average daily traffic volumes of Shanghai-Nanjing Expressway recorded a year-on-year growth of 3.73%, among which, the traffic volume of passenger vehicles witnessed a growth of approximately 6.65% while the truck traffic volume decreased by 3.73% year-on-year. The proportion of passenger vehicles to trucks was 74% to 26%. Trucks using Shanghai-Nanjing Expressway recorded a year-on-year decrease of 2 percentage points, reflecting a relatively weaker performance when compared to that using other expressways of the Group within the expressway network. That was mainly due to the fact that, after Lima Expressway (Lishui to Ma'anshan) opened at the end of 2013, vehicles from Anhui to Sunan region along the line were gradually rerouted to Nanjing – Changzhou Expressway, and also the use by external commercial passenger vehicles and trucks within Nanjing Ring Road was restricted. As a result, the traffic volumes of passenger vehicles for the western portion of Shanghai-Nanjing Expressway (Nanjing-Changzhou section) recorded a slowdown in its year-on-year growth and the truck traffic volume decreased in this year. In particular, for 2014, the average daily traffic volumes of the western portion of Shanghai-Nanjing Expressway was 57,904, representing a year-on-year growth of 1.40%, among which the year-on-year growth in the number of passenger vehicles was 5.74% while the year-on-year decrease of that of trucks was 10.41% (a decrease by 3.74% for the first six months and a decrease by 16.38% for the remaining six months, and the declining trend tended to become more significant quarter by quarter); as for the eastern portion of Shanghai-Nanjing Expressway (Wuxi-Suzhou section), the average daily traffic volume was 100,257, representing a year-on-year growth of 6.01%, among which the year-on-year growth of passenger vehicles was 7.55%, and the growth continued quarter by quarter; the year-on-year growth of trucks was 2.25% which was slowed down quarter by quarter due to the impact of the decrease in the trucks using the western portion. Owing to the decline in the truck traffic volume, during the Reporting Period, the average daily toll revenue of Shanghai-Nanjing Expressway was approximately RMB12,303,870, with a year-on-year decrease of 0.68%, while bicycle revenue recorded a year-on-year decrease of 4.27%. The overall performance was less favorable than the expectation as of the beginning of the Reporting Period.

In 2014, the traffic volume for average daily toll at G312 and the average daily revenue respectively recorded a year-on-year decrease of 5.23% and 0.81%. The declining trend has been improved to a large extent. In July 2012, two stops and two points were removed from G312 according to the requirements concerning specific clear-up for toll roads, and at the end of 2012, Jiangsu Provincial Government approved on making compensation for the loss due to removal of stops. For the past two years, the Company, under the support of the Controlling Shareholder, actively communicated and negotiated with the competent authority of the government and continued to optimize and adjust the proposal for compensation. On 20 March 2015, the Company received undertaking letter from Communications Holdings (substantial shareholder), which stated that Communications Holdings paid compensation to the Company in accordance with the net asset value of operation rights corresponding to the removal of stations and points as confirmed in the audit by the qualified third party by cash.

The traffic volume of Nanjing-Lianyungang Highway significantly decreased because of the impact brought about by the limitation on the access by external trucks to Nanjing 2nd Bridge commencing from 1 April 2014. As a result, the average daily traffic volume and revenue during the Reporting Period recorded respectively a year-on-year decrease of 12.06% and 18.39%.

The traffic volumes and toll revenues of all of other road and bridge projects including Guangjing Xicheng Expressway, Jiangyin Yangtze Bridge and Sujiahang Expressway continued to maintain good growth momentum. As for the structure of traffic volumes of passenger vehicles and trucks as well as the bicycle revenue level, the year-on-year comparison basically remained stable.

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### (IV) Business development

**Proactive merger of road assets.** In order to realize the scale expansion of the principal business of toll roads of the Group, offset the diversion effect on the west sections of Shanghai-Nanjing Expressway by the parallel highways of Ningchang Expressway and improve the management scale benefits of Guangjing Xicheng, the Company proactively carried out the merger and acquisition of the two projects of Ningchang Zhenli Expressway and Jiangsu Xiyi Expressway during the Reporting Period. On 30 December 2014, the seventeenth meeting of the seven session of the Board of the Company considered and approved the acquisition of 100% equity interest in Ningchang Zhenli with a consideration of RMB502 million in cash together with the transfer of all the interest-bearing borrowings and capitalizing such debts, and the acquisition of 100% equity interest in Xiyi Company with a cash consideration of RMB662 million by Guangjing Xicheng, a subsidiary, and the merger of the two assets by merging with Xiyi Company, which was considered and approved at the 2015 first extraordinary general meeting of the Company on 12 March 2015.

After the merger of the two assets, the new toll highway mileage controlled or managed by the Group increased from approximately 252 kilometers to 1,102 kilometers, which realized the effective integration of regional expressway assets by the Group, further promoted the leading position in southern Jiangsu road network, expanded the asset size, raised the operational efficiency and enhanced the continuous profitability of the Group. It met the demands of strategic development of the Group, and also laid the foundation of expanding the scale of the profit and maintaining the continuous and stable development of results in the future. In the meantime, by means of acquisition and competition, the loss of traffic volume of Shanghai-Nanjing Expressway caused by diversion could be offset effectively, resulting in keeping the traffic volume of roads within Shanghai-Nanjing passage in control.

**Accelerating the construction of new projects.** During the Reporting Period, the two new projects Changzhou-Jiaxing Expressway and Zhenjiang-Danyang Expressway invested by the Group were implemented smoothly. As at the end of the Reporting Period, the soft foundation of Changzhou-Jiaxing Expressway was completed in respect of road foundation. Stonework for subgrade filling was basically completed and construction of small-scale structures including culvert, tunnel, etc. was accomplished. The total completed amount represented 51.33% of the rough calculation of the approved projects and it is expected to open to traffic in 2016. Capital invested by the Company was approximately RMB105,015,000 in the year with the aggregate investment amounting to RMB294,042,000.

At the end of the Reporting Period, phase I capital invested by all shareholders of Zhendan Company was fully funded and registration of industrial and commercial establishment was completed in January 2015. Currently, the Company negotiated with Communication Construction Bureau of Jiangsu Province and entered into the entrusted construction of Zhendan Expressway agreement, which entrusted the bureau to be in charge of the construction of Zhendan Expressway. The project construction will be carried out soon.

For the aspect of construction of other road facilities, the Company actively cooperated with the local government to accomplish relevant work regarding the construction of the four new interchanges of Shanghai-Nanjing Road in 2014. Changzhou Qinglong interchange and Jurong City interchange were completed and put into operation in 2014, Danyang East interchange is conducting large-scale construction and the initial design of high-tech district interchange of Kunshan has passed the examination by the provincial development and reform commission and is under the preparation of construction. Upon completion of construction and commencing operation, the additional interchanges will guide more vehicles choosing expressways.

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### III. Operation of Ancillary Services

Ancillary services including petroleum product sales, food and beverage, retail sales of goods and other related operations were provided at the six service areas along the Shanghai-Nanjing Expressway. The change in ancillary services revenue was mainly attributable to the change in customer flow volume at the service areas and this was closely related to the change in Shanghai-Nanjing Expressway's traffic volume.

The operation and management at service areas focused on raising customer satisfaction, aiming to achieve synchronous improvement in both revenue and services. During the year, the Company engaged the professional management consulting institution to carry out special study on the future reform and development of the service areas, exploring all round in respect of management mechanism, business industries, profit model and so forth, while actively and orderly promoting the relevant reform measures. With information construction, service area enterprise management as well as financial sharing system established by the Company, the scheme design was basically completed at the end of 2014. In 2015, the Company will carry out the pilot work in the business ultra system of service area and perform the digital management in respect of suppliers and retail goods. As for the expansion of business industries, the construction of LNG gas station in the service area was steadily carried forward by Jiangsu GCL Gas, a joint-stock company established by the Company in August 2013. As at the end of the Reporting Period, the gas stations in three service areas, namely northern Yangcheng Lake area, southern Meicun area and southern Xianrenshan area have been basically completed. In the meantime, the Company launched the project of charging pile construction (充電樁建設項目) in service areas of Yangcheng Lake and Meicun and the charging piles of Yangcheng Lake service area have fulfilled the operational condition, which provided the intelligent charging service in respect of electric automobile. In addition, the Company actively explored the brand operation in respect of the food and beverage in service area, resulting in that KFC has duly opened for business in Yangcheng Lake service area in the year. As for the service assurance, in 2014, the Company carried out the long-term effective management in respect of the businesses including food and beverage, gas and retail sales, etc. in service areas and continued to keep the title of "service area with civilization and safety" (文明平安服務區).

In 2014, led by the growth in the sales of petroleum products, the Company recorded revenue of approximately RMB2,207,416,000 from the ancillary services, representing a year-on-year growth of approximately 2.66%. Out of this revenue, revenue from sales of petroleum products amounted to approximately RMB1,994,881,000, accounting for approximately 90.37% with respect to the total revenue from the ancillary services, and representing a year-on-year growth of approximately 2.30%. During the Reporting Period, the year-on-year growth in the sales of petroleum products was approximately 5.26%. Commencing from the fourth quarter of 2014, in light of the decline in the international oil price, the growth of sales revenue and sales volume of petroleum products differed in terms of the extent of growth. Revenue from other businesses including food and beverage, retail sales of goods and hindrance clearance services amounted to RMB212,535,000, representing a year-on-year increase of approximately 6.24%.

### IV. Property Development and Sales Business

In 2014, the market environment was complicated and the market competition was fierce. Nonetheless, the development of the Company's property business still maintained its stable and healthy status. The area under development for the Reporting Period was 189,000 square meters, and investment of approximately RMB550 million was accordingly made in the projects under construction. The total equity interests of following projects are all held by the Company and the details and project progress are set out as follows:

#### (1) Land lots at Huaqiao International Business Services City in Kunshan

On 29 September 2009, by submitting bids at an auction, the Company won seven lots of land at Huaqiao International Business Services City in Kunshan, with a total land area of 129,129 square meters for a total consideration of RMB295,404,000. The lots have a plot ratio of no more than 3.0 and are for commercial and residential purposes. The project will comprise a residential, hotel and commercial and business office complex.

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Lot Huaqiao C7 (Tongcheng Pujiang Office Building) has filed for the completion in June 2014 with the gross floor area of 53,370 square meters and then was transferred to property management; in respect of lot C5 (“Regal Royale” five-star hotel), the major structure of the two main buildings was completed; lot B4 (Tongheng Guangming Jiezu) has completed the construction and installation project, which is mainly during the construction phase of municipal facilities with gross floor area of 38,966 square meters; in respect of lot B19 (Tongheng Guangming Jiezu), the progress of the project is normal with the above ground structure of the main building up to the third floor.

(2) Land lot on Xinshi Road, Suzhou

On 5 November 2009, by submitting a bid at an auction, the Company won a lot of land on Xida Street, Xinshi Road, Canglang District, Suzhou, with a total land area of 22,050 square meters which for a total consideration of RMB450,317,000 with a plot ratio of less than 1.0. The project involves a piece of scarce residential land in the central area of Suzhou, which will feature high-end residential products known as “Qingyuan”.

The project of Qingyuan, Suzhou has completed inspection and file for acceptance and finishing-off work at the end of 2013, with gross floor area of 22,662 square meters. The decoration project of sales office has completed in 2014 and the home sale has commenced.

(3) Land lots at G25 Nanmen Road, Suzhou

Ninghu Properties took part in the auction of Plot 2013-G-25 in Suzhou on 21 June 2013 and acquired the land use right of that plot at the bottom price. The plot, with a site area of 30,664.5 square meters and a plot ratio of 2.0, was acquired at a consideration of approximately RM551,960,000, representing a price of approximately RMB9,000 per square meter of the floor area. The plot is situated at the south side of the Nanmen Road, Gusu District and is for residential and commercial purposes.

As at the end of the Reporting Period, the project of Nanmen Road, Suzhou has obtained the land use right certificate and is at the preliminary stage of applying for construction currently.



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### (4) Land lots at Hongyan Community, Baohua Town, Jurong City

On 9 September 2009, by submitting bids at an auction, the Company won land lots A and B at Hongyan Community in Baohua Town, Jurong City, with a total land area of 333,088 square meters for a total consideration of RMB686,500,000. The two lots have a plot ratio of no more than 3.0 and are for commercial and residential purposes.

As at the end of the Reporting Period, the phase I project of lot B in Hongyan Community, Baohua, Jurong has completed, filed and delivered with gross floor area of 35,964 square meters; the phase II of lot B is in the process of construction on schedule with gross floors area of 18,306 square meters, among which, approximately 70% of the major structure of 10 tall buildings was completed with fully topped of 25 villas.

As for sales of projects, changes in the market environment had brought about some negative impact on the Company's property sales business in 2014, the sales for the year were lower than expected at the beginning of the year. During the Reporting Period, four units of C4 Tongcheng Hongqiao Mansion (同城虹橋公館) (including one residential unit and three shops) were sold, with accumulated sales of 453 units (with 23 shops and all residential units being sold out); seven units of B4 Tongcheng Guangming Jiezuo (同城光明捷座) (including five residential units and two shops) were sold, with accumulated sales of 343 units; 18 units of Jurong Tongcheng Shijia Garden Phase I (句容同城世家花園一期) were sold, with accumulated sales of 101 units; advanced sale of Tongcheng Shijia Garden Phase II (同城世家花園二期) officially commenced on 16 August 2014, with accumulated subscription of 16 units. In light of the implementation of the macroscopic policy and the fact that Huaqiao core area has not formed a good commercial environment, there was no progress in sales of Huaqiao C7 Pujiang Office Building (花橋C7浦江大廈商務辦公樓) and Suzhou Qingyuan (蘇州慶園).

During the Reporting Period, the revenue from the advanced sales of sellable projects amounted to approximately RMB212,429,000; the carryover revenue from sales amounted to approximately RMB253,557,000, representing a year-on-year growth of approximately 237.18%; the net profits amounted to RMB2,684,000, representing a year-on-year decrease of 90.74%. Since the Company is currently with relatively a large number of projects under development and sale, the cost is relatively centralized. Meanwhile, no progress in the sales was made tentatively for two projects, namely Qingyuan and Pujiang Building, and the relevant advertising expenses are still being incurred, the profits contributed by new projects are accordingly subject to dilution. As a result, during the Reporting Period, the earnings from property business were less despite its contribution towards the revenues.

During the year, the Company continued to seize the appropriate timing to increase its land reserves. In August 2014, the Company acquired the land use right in respect of the plot No. 2 at New City Commercial Core Zone, south of Nanjing (南京南部新城商業核心區內2號地塊) by auction, with the assigned land area of 17,595.02 square meters with the planned plot ratio of no more than 7. The land use was commercial-composite and an area of 20,000 square meters was allocated for the construction of serviced apartments with the total purchase price of RMB500 million, marking a substantial step towards the development of commercial properties in the Nanjing area.

### V. Advertising and other businesses

Other businesses of the Company mainly comprise advertisement operations, lease of commercial properties and property services. In 2014, the revenue from advertising and other businesses of the Group amounted to RMB45,882,000, representing a year-on-year increase of 4.38%. Among such aggregate revenue, revenue from advertisement operations was approximately RMB40,656,000 which was more or less the same when compared to that of the same period in 2013; revenue from property service fees and lease of commercial properties was approximately RMB5,226,000, representing a year-on-year increase of approximately 57.31%, which was mainly attributable to the rental income from the lease of commercial properties in Kunshan by Ninghu Investment, and the property management income from the management and operation of residential properties delivered by Ninghu Properties.



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In 2014, the investment company of subsidiaries actively maintained renewal rate in respect of advertising business with 95% renewal rate of commercial advertising of bulk media of expressways and 92% renewal rate of commercial advertising of small media, with remained basically same with the corresponding period of last year. However, due to the remove of 7 unipod billboards at Maqun interchange of Shanghai-Nanjing road resulting from the environmental regulation of Nanjing municipal government prior to the early stage of the Youth Olympic Games, the revenue from advertising for the year slightly decreased. Currently, the setting up of new signs on expressways is pending for examination and approval, under the circumstances, the investment companies actively carried out external expansion of advertising business, sought for billboard leasing and investment construction on other road section and made profitable attempt during the year, which increased the room for the future business expansion.

### (II) Business operational data and financial status analysis

#### 1 Changes in relevant items in income statement and cash flow statement

Unit: RMB

Item	Current period	Corresponding period of last year	Changes %
Operating revenue	7,879,076,285	7,614,226,717	3.48
Operating costs	4,020,311,735	3,694,143,781	8.83
Selling expenses	13,806,381	9,832,355	40.42
Administrative expenses	179,857,348	176,140,246	2.11
Financial expenses	312,417,868	292,786,104	6.71
Net cash flow from operating activities	3,092,012,620	3,084,162,160	0.25
Net cash flow from investing activities	(360,972,922)	(964,869,541)	62.59
Net cash flow from financing activities	(2,559,759,516)	(2,396,600,660)	-6.81

#### (1) Structures of revenue

Items of Operating Revenue	2014	Percentage	2013	Percentage	Change over the previous year
	(RMB)	%	(RMB)	%	%
Revenue from toll road operations	5,372,221,374	68.18	5,344,929,268	70.20	0.51
Revenue from ancillary business	2,207,415,574	28.02	2,150,138,512	28.24	2.66
Revenue from property sales	253,556,650	3.22	75,200,074	0.99	237.18
Revenue from advertising and other businesses	45,882,687	0.58	43,958,863	0.57	4.38
Total	<u>7,879,076,285</u>	<u>100</u>	<u>7,614,226,717</u>	<u>100</u>	<u>3.48</u>

As the major customers of the Group's toll business, operation business in service area and property sales business are social individual consumers, the five largest customers in aggregate accounted for less than 30% of the turnover of the Company. Coupled with the fact that there is no bulk procurement related to day-to-day operations, disclosure of the particulars regarding the major customers and suppliers is of an insignificant value and hence no such disclosure has been made in this report.

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### (2) Structures of costs

During the Reporting Period, aggregated operating costs amounted to approximately RMB4,020,312,000, representing a year-on-year increase of approximately 8.83%. The structure of costs of each business category is set out below:

Item of operating costs	2014 (RMB)	Percentage %	2013 (RMB)	Percentage %	Change over the previous year %	Changes explanation
<b>Operating costs of the toll road operations</b>	1,632,904,125	40.62	1,548,946,009	41.93	5.42	
Depreciation and amortization	899,535,821	22.38	865,790,759	23.44	3.90	Due to the natural growth of the traffic volume and the comprehensive impact from the changes in accounting estimates, such as the adoption of the new estimation of traffic volume for the amortization of the franchise rights of the toll roads, depreciation and amortization costs of toll road operation recorded a year-on-year increase.
Costs on toll collection operation	121,372,641	3.02	129,792,144	3.51	-6.49	Due to the adjustments on accounting measures for labor costs, part of the costs on toll collection operation transferred to labor costs. Moreover, controllable cost expenses were effectively controlled by strengthening budget management, resulting in the decrease in costs on toll collection operation.
Costs on roads and bridges maintenance	174,503,339	4.34	157,578,847	4.27	10.74	Due to several reasons such as the normal wear and tear of roads and the environmental renovation in Yingqingao road section (迎青奥路段), numbers of maintenance projects of roads and bridges increased in the year. As a result, costs on roads and bridges maintenance also increased.
Costs on system maintenance	35,918,969	0.89	30,248,027	0.82	18.75	Costs on system maintenance recorded a year-on-year increase, due to the modernization of communication, toll, monitoring and lighting systems.
Labor costs	401,573,355	9.99	365,536,232	9.89	9.86	The labor costs of the toll road operations recorded a year-on-year increase due to the rigid increase in and the adjustments on accounting measures for labor costs.
<b>Costs on ancillary businesses</b>	2,173,699,586	54.07	2,099,889,085	56.84	3.51	
Raw materials	1,996,125,136	49.65	1,940,508,229	52.53	2.87	Raw material costs in costs on ancillary businesses recorded a year-on-year increase due to the year-on-year increase in sales volume of petroleum products.
Depreciation and amortization	19,293,020	0.48	20,678,748	0.56	-6.70	In this financial year, the Company has adjusted part of the fixed assets classification and depreciation period of the ancillary businesses, resulting in the decrease in depreciation of some of the equipment of the ancillary businesses.
Labor costs	126,737,871	3.15	104,434,427	2.82	21.36	Labor costs of ancillary businesses recorded a year-on-year increase due to the rigid growth in labor costs and the adjustments on accounting measures for labor costs.

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Item of operating costs	2014 (RMB)	Percentage %	2013 (RMB)	Percentage %	Change over the previous year %	Changes explanation
Other costs	31,543,559	0.79	34,267,681	0.93	-7.95	As the accounting measures were adjusted and controllable cost expenses effectively were controlled by strengthening budget management, other costs of ancillary businesses recorded a year-on-year decrease.
Costs on property sales business	197,100,033	4.90	29,507,771	0.80	567.96	Costs on property sales business recorded a year-on-year increase due to the year-on-year increase in deliveries of property projects.
Costs on advertising and other business	16,607,991	0.41	15,800,916	0.43	5.11	Primarily due to the increase in management and operation costs of the delivered community properties by Ninghu Properties.
<b>Total</b>	<b>4,020,311,735</b>	<b>100</b>	<b>3,694,143,781</b>	<b>100</b>	<b>8.83</b>	

### (3) Expenses

#### 1) Administrative expenses

During 2014, administrative expenses of the Group amounted to RMB179,857,000 in aggregate, representing a year-on-year increase of 2.11%. The budgetary control of administrative expenses of the Company was in good condition in 2014 mainly due to the strict expenses control through the strengthening of budget management.

#### 2) Financial expenses

As at 31 December 2014, the balance of interest-bearing liabilities of the Group amounted to RMB5,125,138,000, representing a decrease of RMB358,595,000 as compared to the beginning of the Reporting Period. As the comprehensive costs of the interest-bearing liabilities recorded a year-on-year increase, the Group's aggregate finance costs amounted to RMB312,418,000, representing a year-on-year increase of 6.71%. The Company adopted positive measures to enhance capital utilization efficiency, as well as reduce finance costs through various direct financing means including the issue of ultra-short-term and short-term notes, non-public directed debt instruments and so forth. Finance costs of the Group during the Reporting Period were under effective control in general.

#### 3) Selling expenses

In 2014, the Group's aggregate selling expenses amounted to approximately RMB13,806,000, representing a year-on-year increase of 40.42%, mainly due to the year-on-year increase in the agency fees and promotional expenses resulting from the promotion of property projects by Ninghu Properties and advertisements for the sales of properties.

#### 4) Income tax

The statutory tax rate of all companies under the Group was 25%. In 2014, income tax expense of the Group amounted to RMB807,731,000 in aggregate, representing a year-on-year increase of 5.18%.

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### (4) Non-operating Income

In 2014, the Group achieved a non-operating income of approximately RMB20,780,000, representing a year-on-year decrease of 79.74%, which was mainly due to proceeds of RMB 88,764,000 from the disposal of Zhenjiang branch line of Shanghai-Nanjing Expressway.

### (5) Item of Cash Flow Statements

Item of Cash Flow	2014 (RMB)	2013 (RMB)	Change over the previous year %	Reasons for Changes
Net cash flow from operating activities	3,092,012,620	3,084,162,160	0.25	Net cash flow from operating activities recorded a year-on-year increase mainly due to the net increase in operating cash inflow from the operating revenue growth.
Net cash flow from investing activities	(360,972,922)	(964,869,541)	-62.59	Net cash outflow from investing activities recorded a year-on-year decrease due to the year-on-year decrease in net cash outflow for external investment during the Reporting Period.
Net cash flow from financing activities	(2,559,759,516)	(2,396,600,660)	6.81	During the Reporting Period, the Company recorded a year-on-year increase in the net cash outflow from the repayment of interest-bearing debt, as well as the cash paid in dividend distribution and repayment of interest, leading to the increase in net cash outflow from financing activities over the previous year.

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### 2. Operation analysis by industries, products or regions

The operating revenue of the Group in the year of 2014 amounted to RMB7,879,076,000 in aggregate, representing an increase of 3.48% as compared to the same period in 2013; operating costs amounted to RMB4,020,312,000 in aggregate, representing an increase of 8.83% as compared to the same period in 2013. As the rate of increase of revenue was lower than that of costs, the consolidated gross profit margin of the Group decreased for 2.51% year-on-year.

#### (1) Operation by industries, products or regions:

Item	Operating revenue		Operating costs		Gross profit margin	
	2014 (RMB)	Change over the previous year (%)	2014 (RMB)	Change over the previous year (%)	2014 (%)	Change over the previous year
<b>Toll road</b>	5,372,221,374	0.51	1,632,904,125	5.42	69.60	Decreased by 1.42 percentage points
Shanghai-Nanjing Expressway	4,490,913,228	-0.68	1,107,253,412	2.02	75.34	Decreased by 0.66 percentage points
Shanghai-Nanjing Section of G312	53,001,537	-0.81	276,893,764	37.98	-422.43	Decreased by 146.88 percentage points
Nanjing-Lianyungang Highway	29,941,035	-18.39	15,548,066	-13.77	48.07	Decreased by 2.78 percentage points
Guangjing Xicheng Expressway	798,365,574	8.91	233,208,883	-4.76	70.79	Increased by 4.19 percentage points
<b>Ancillary Services</b>	2,207,415,574	2.66	2,173,699,586	3.51	1.53	Decreased by 0.81 percentage points
<b>Property Sales</b>	253,556,650	237.18	197,100,033	567.96	22.27	Decreased by 38.49 percentage points
<b>Advertising and others</b>	45,882,687	4.38	16,607,991	5.11	63.80	Decreased by 0.26 percentage points
<b>Total</b>	7,879,076,285	3.48	4,020,311,735	8.83	48.97	Decreased by 2.51 percentage points

#### (2) Principal businesses by regions

Unit: RMB

Region	Operating revenue	Change in operating revenue over the previous year (%)
Within Jiangsu Province	7,879,076,285	3.48

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### 3. Assets and Liabilities analysis

#### (1) Assets and Liabilities analysis

Item of Assets and Liabilities	2014 (RMB)	Percentage (%)	2013 (RMB)	Percentage (%)	Change over the previous year (%)
Cash and bank balances	598,250,453	2.18	409,176,746	1.52	46.21
Accounts receivable	96,125,706	0.35	51,443,626	0.19	86.86
Inventories	3,091,145,953	11.26	2,844,577,736	10.60	8.67
Investment properties	34,284,836	0.12	35,415,146	0.13	-3.19
Long-term equity investment	4,174,591,269	15.21	3,787,359,931	14.12	10.22
Fixed assets	1,186,446,387	4.32	1,099,548,420	4.10	7.90
Construction in progress	258,800,371	0.94	127,708,416	0.48	102.65
Short-term borrowings	3,360,000,000	12.24	3,220,000,000	12.00	4.35
Long-term borrowings	269,708,646	0.98	271,148,039	1.01	-0.53
Shareholders' equity attributable to equity holders of the Company	20,348,338,531	74.14	19,596,483,889	73.03	3.84
Minority interests	588,309,342	2.14	501,743,850	1.87	17.25
Total Assets	27,444,862,983	100.00	26,833,912,370	100	2.28
Total gearing ratio	23.71%	—	25.10%	—	-1.39
Net gearing ratio	31.09%	—	33.51%	—	-2.42

- Calculation basis of the total gearing ratio: Liabilities/Total assets; Calculation basis of the net gearing ratio: Liabilities/Shareholders' equity
- Cash and bank balances increased by 46.21% over the beginning of the year, mainly due to the addition of a new subsidiary Zhendan Company with a carrying value of capital amount of RMB200 million during the Reporting Period.
- Accounts receivable increased by 86.86% as compared to the beginning of 2014, mainly attributable to the increase in toll receivable from road networks and the receivable from the sales of petroleum products.

## REPORT OF THE DIRECTORS

- Construction-in-progress increased by 102.65% as compared to the beginning of 2014, mainly attributable to the increase in funds invested in projects on, such as construction of information technology infrastructure, renovation of toll booths and renovation of interchanges.

- (2) Explanations on the changes in assets calculated on a fair value basis and the measurement attributes of major assets

During the Reporting Period, Ninghu Investment, a subsidiary of the Company, continued to hold Fuanda Advantageous Growth Foundation (富安達優勢成長基金) subscribed in 2011. The investment cost was RMB20,000,000. The net value at the beginning of 2014 amounted to RMB20,175,000, and the net value at the end of 2014 amounted to RMB24,539,000. The fair value as recorded during the said period increased by RMB4,364,000, and the aggregate fair value increased by RMB4,539,000. During the Reporting Period, Ninghu Investment newly increased the investment of gold. The investment cost was RMB15,710,000, net value of which at the end of the said period was RMB14,413,000, and the fair value of the current year was decreased by RMB1,297,000.

- (3) Capital expenditures

In 2014, the Group's planned capital expenditures amounted to approximately RMB481,556,000, representing a decrease of 65.23% or RMB903,303,000 from 2013. The year-on-year decrease was comparatively significant, mainly due to the payment of RMB1,000 million for the purchase of shares of the Bank of Jiangsu. In 2014, details on the Group's capital expenditure projects are as follows:

Capital Expenditure Project	RMB
Equity investment in Sujiayong Company	105,015,240
Equity investment in Luode Fund Company	5,850,000
Equity investment in Jiangsu GCL	1,846,100
Balance payment of the expansion works of Shanghai-Nanjing Expressway	17,000,328
Interflow, renovation and expansion engineering project of Suzhou	65,340,000
Information construction projects	47,806,599
Noise barriers construction projects	18,262,819
Renovation project of toll collection points and service areas	84,159,787
Renovation of the three major systems	35,406,026
Interflow and renovation of Jingjiang station of Guangjing Xicheng Expressway	26,275,500
Setting up advertising signage	7,762,604
Other construction in progress and equipment	66,830,664
Total	481,555,667

- (4) Financial Strategy and Financing Arrangement

During the Reporting Period, the Company actively expanded its financing channels. It adjusted its debt structure and repaid expired loans by direct financing means including the issue of ultra-short-term and short-term notes as well as non-public directed debt instruments. The total direct financing amount for 2014 amounted to RMB3.7 billion, which could satisfy the liquidity demands of operation management and project investment and effectively reduce financing costs. There had not been any seasonal impact on the demands for loans. In 2014, the Company's consolidated borrowing cost of interest-bearing liabilities was approximately 5.43%. Though it was approximately 0.19 percentage points higher than the previous year, it was managed to be approximately 0.62 percentage points lower than the prevailing bank borrowing rate of the same period.

## REPORT OF THE DIRECTORS

In 2014, the Company's major financing activities are as follows:

Financing category	Date of issue	Term	Financing amount (RMB 100 million)	Issuing interest rate %	Prevailing benchmark rate of banks %	Decrease in financing costs %
Non-public direct debt financing instruments	2014-05-22	1 year	5	5.6	6	6.67
Ultra-short-term notes	2014-04-17	180 days	2	5.08	5.6	9.29
Ultra-short-term notes	2014-06-12	270 days	5	4.89	6	18.5
Ultra-short-term notes	2014-08-22	150 days	4	4.80	5.6	14.29
Ultra-short-term notes	2014-10-10	270 days	4	4.80	6	20
Ultra-short-term notes	2014-11-12	266 days	7	4	6	33.33
Short-term notes	2014-12-11	270 days	10	5.05	5.6	9.82

(5) Pledge of assets

In 2012, Guangjing Xicheng, a subsidiary of the Company, obtained borrowings amounting to RMB 400,000,000 from the Jiangsu branch of Bank of Communications as investments in the equity interests of Jiangsu Yanjiang Expressway. The loan was secured through pledging the operation right of Guangjing Xicheng Expressway. As at the end of this year, an aggregate of RMB 150,000,000 had been repaid. The floating interest rate of such borrowings was determined based on the benchmark rate announced by The People's Bank of China, and the annual interest rate of the year was 6.4%.

(6) Contingencies

Ninghu Properties, a subsidiary of the Company, provided guarantees to banks for bank borrowings granted to buyers of properties of Huaqiao Urban Core C4 Tongcheng Hongqiao Mansion, Huaqiao Urban Core B4 Tongcheng Guangming Jiezuo Project and Baohua Hongyan Community Land B Phase 1 Tongcheng Shijia Project. The obligation will commence from the date on which the guarantee contract comes into effect and will cease when the buyers complete registration of mortgage and submit the property ownership certificates to bank. As at 31 December 2014, the outstanding guarantees amounted to approximately RMB175,803,000 (31 December 2013: RMB83,922,000).

(7) Trust deposits

As at 31 December 2014, the Company did not have any trust deposits with any financial institutions in the PRC or any fixed term deposits which were irrecoverable upon their maturity.

(8) Trust loans

The Company borrowed RMB190,000,000 on 13 August 2014, by way of trust loan from Far East Shipping, a related company. The loan bears a term of one year, carrying an annual interest rate of 6%. During the Reporting Period, the Company repaid RMB190,000,000 and the outstanding balance remained RMB190,000,000 as at the end of the Reporting Period.



## REPORT OF THE DIRECTORS

### (9) Foreign Exchange Risks

The Group operates its businesses principally in the PRC. No major foreign exchange risks are involved as the Company's revenues from operations and capital expenditures are all settled in Renminbi, except for dividend payments on H Shares. A loan of USD9,800,000, with an annual interest rate of 2%, was secured from the Spanish Government in 1998 and will be due on 18 July 2027. As at 31 December 2014, the balance of the loan was equivalent to an amount of approximately RMB21,225,000, against which no foreign exchange hedge arrangements were made. Fluctuations in exchange rates did not have any material impact on the Company's results.

### (10) Reserves

Unit: RMB

	Share capital	Capital reserve	Other comprehensive income	Statutory surplus reserve	Retained profit	Total shareholders' equity attributable to holders of the Company
<b>As of 1 January 2013</b>	5,037,747,500	7,484,538,998	81,405,369	2,550,126,797	3,535,043,036	18,688,861,700
Profit for the year					2,707,743,147	2,707,743,147
Reduction of owners' capital		(984,810)				(984,810)
Total comprehensive income			14,452,952			14,452,952
Profit distributed				283,171,284	(283,171,284)	0
Dividends distributed					(1,813,589,100)	(1,813,589,100)
<b>As of 31 December 2013</b>	5,037,747,500	7,483,554,188	95,858,321	2,833,298,081	4,146,025,799	19,596,483,889
<b>As of 1 January 2014</b>	5,037,747,500	7,483,554,188	95,858,321	2,833,298,081	4,146,025,799	19,596,483,889
Profit for the year					2,574,754,312	2,574,754,312
Reduction of owners' capital		(1,586,347)				(1,586,347)
Total comprehensive income			93,030,727			93,030,727
Profit distributed				93,745,612	(93,745,612)	0
Dividends distributed					(1,914,344,050)	(1,914,344,050)
<b>As of 31 December 2014</b>	5,037,747,500	7,481,967,841	188,889,048	2,927,043,693	4,712,690,449	20,348,338,531

*Note:* The above capital items belong to those companies forming the Group. The above statutory reserves may not be used for purposes other than their intended purposes nor for distribution as cash dividends. As at 31 December 2014, reserves distributable to shareholders of the Company amounted to RMB4,712,690,449.

# REPORT OF THE DIRECTORS

## (III) INVESTMENT ANALYSIS

During the Reporting Period, an aggregate of approximately RMB112,711,000 of external investment was made by the Group, representing a decrease of 90.15% as compared to approximately RMB1,144,017,000 in 2013. The external investments made included the investment in Sujiaiyong Company amounted to RMB105,015,000, the second-phase investment in Luode Fund Company of RMB5,850,000, and the investment in Jiangsu GCL Gas of RMB1,846,000.

### 1. Equity Investment in Financial Enterprises

Unit: RMB

Name of investee	Investment amount	Number of shares held	Shareholding of the company	Book value at the end of the Reporting Period	Profit or loss during the Reporting Period	Changes in owners' equity during the Reporting Period	Accounting item	Source of shares
Jiangsu Lude	11,700,000	11,700,000 shares	39%	8,044,465	-2,324,319	-2,324,319	Long-term equity investment	Established by means of promotion
Bank of Jiangsu	1,000,000,000	200,000,000 shares	1.92%	1,000,000,000	0	0	Financial assets available for sale	Capital increment
Jiangsu Leasing	234,000,000	234,000,000 shares	9.97%	270,898,456	17,550,000	17,550,000	Financial assets available for sale	Established by means of promotion



## REPORT OF THE DIRECTORS

### 2. Other investment, wealth management and derivatives

Investment type	Source of capital	Signatory	Investment share	Term	Product type	Expected revenue	Gains/losses	Involvement in litigations (if any)
Wealth management products issued by banks	Own capital	Commercial banks	206,750,000	Within 3 months	Principal guaranteed wealth management products issued by banks	—	—	No
Fuanda Advantageous Growth Foundation	Own capital	Fuanda Funds	20,000,000	Long-term	Funds		4,539,264	No
Precious metals — Gold	Own capital	Shanghai Gold Exchange	15,710,238	Long-term	Precious metals		-1,297,680	No

Explanation of other investment, wealth management and derivatives:

Wealth management products were the RMB-denominated wealth management products held by Ninghu Investment, a subsidiary of the Company, and issued by Bank of Jiangsu, China Guangfa Bank, China Merchants Bank GoForture Co. and Industrial and Commercial Bank of China. Such wealth management products were principal-guaranteed with floating income.

### 3. Operations of Major Subsidiaries

Name of company	Principal business	Investment cost (RMB)	Equity interest attributable to the Company %	Total assets (RMB)	Net assets (RMB)	Net profit (RMB)	Percentage over the Company's net profit %	Year-on-year increase/decrease in net profit %
Jiangsu Guangjing Xicheng Expressway Co., Ltd	Construction, management, maintenance and toll collection of Guangjing Expressway and Xicheng Expressway in Jiangsu	2,125,000,000	85	3,887,088,282	3,540,477,713	483,555,679	18.27	7.43
Jiangsu Ninghu Investment Development Co., Ltd.	Investments in various infrastructure, industries and assets	110,100,000	100	359,312,689	331,980,377	39,286,022	1.48	120.84
Jiangsu Ninghu Properties Co., Ltd	Development, operation and consultancy of real estate	500,000,000	100	3,322,482,081	537,822,732	2,169,535	0.08	-82.89
Jiangsu Zhendan Expressway Co., Ltd.	Construction, management, maintenance and toll collection of Jiangsu Zhendan Expressway	140,000,000	70	200,004,900	200,004,900	4,900	—	—

## REPORT OF THE DIRECTORS

- During the Reporting Period, no capital stock/debt securities had been issued by the major subsidiaries.
- During the Reporting Period, Guangjing Xicheng achieved an operating income of approximately RMB828,075,000, a year-on-year increase of approximately 8.61%; the accumulated operating costs amounted to RMB264,475,000 approximately, down 4.64% year-on-year, mainly due to the amortization of the partial renovations of roads in the previous years and the relative decrease in the depreciation costs resulting from the amortization of road operation rights in accordance with the newly evaluated traffic volume; during the year, with the year-on-year decrease in distributed dividends of Jiangsu Leasing, an investee of Guangjing Xicheng, income from investments declined by 22.65% year-on-year; due to the drop in interest-bearing liabilities, the finance costs fell by 34.51% year-on-year. Owing to the combined impact from the aforesaid factors, the net profit of Guangjing Xicheng for the Reporting Period increased by approximately 7.43% year-on-year.
- The net profit of Ninghu Investment during the Reporting Period grew by 120.84% approximately year-on-year mainly attributable to the fact that it transferred its title to land B3 of Huaqiao business area to Ninghu Properties. The net profit contributed to the Group from Ninghu Investment after the deduction of net profits from intra-group transactions amounted to RMB19,335,000 approximately, representing a year-on-year increase of about 8.69%.
- Ninghu Properties achieved a net profit of RMB2,170,000 during the Reporting Period, down 82.89% approximately year-on-year, mainly due to the decrease in the profit margin of property sales business. Please refer to the section headed “Business Review and Analysis of Operations” in this report for the operating status and change in results of the property sales business.

#### 4. Operations of Major Associates

In 2014, the Group’s investment income amounted to approximately RMB352,287,000, representing a year-on-year increase of 11.70%. Benefitted from the increase in profits of associates such as Jiangsu Yangtze Bridge Co., Ltd. and Sujiahang Company, investment income contributed by associates in which the Company held equity interest amounted to approximately RMB310,937,000, representing an increase of 17.13% as compared to that in 2013. Operating results of major companies in which the Group held equity investments are as follows:

Company name	Principal business	Investment Cost (RMB)	Equity interest attributable to the Company %	Net profit attributable to the Company (RMB)	Share of investment income (RMB)	Proportion of net profit attributable to the Company %	Change over the previous year %
Suzhou Sujiahang Expressway Co., Ltd.	Management and operation of the Jiangsu Section of Sujiahang Expressway	526,090,677	33.33	349,034,210	116,333,102	4.39	26.93
Jiangsu Yangtze Bridge Co., Ltd.	Mainly engaged in the management and operation of Jiangyin Yangtze Bridge	631,159,243	26.66	381,399,666	101,681,151	3.84	37.50
Jiangsu Yanjiang Expressway Co., Ltd	Mainly engaged in the management and operation of Yanjiang Expressway	1,466,200,000	28.96	303,545,050	97,921,906	3.70	-8.46

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- During the Reporting Period, no capital stock/debt securities had been issued by the major associates.
- Due to the year-on-year increase in toll revenue driven by the growth in the traffic volume as well as the year-on-year decrease in finance costs resulting from the structural adjustments of loans, the net profit of Sujiahang Expressway and its share of investment income rose year-on-year.
- Yangtze Bridge recorded a year-on-year increase in the net profit as a result of the year-on-year increase in toll revenue boosted by increased traffic volumes as well as the increase in investment revenue from disposals of available-for-sale financial assets.
- During the year, the net profit of Yanjiang Expressway attributable to the Company decreased year-on-year, mainly due to the year-on-year rise in finance costs and the increase in the amortization of operation rights of the expressway (intangible assets).

### (IV) Analysis of Core Competitiveness

The core business of the Group is the management and operation of transportation infrastructure. Our operations are located in one of the most thriving economic regions in the PRC — the Yangtze River Delta. The roads and bridges owned or invested by the Group are the key land transport corridor of the two important industrial belts along the Yangtze River and Shanghai-Nanjing in the southern part of Jiangsu Province, enabling the Group to obtain a predominant position in the expressway network in the southern Jiangsu area. Unique geographical advantage, quality network of assets and efficient operation system are distinct core competitive edges of the Group.

In 2014, vehicles along the region from Anhui to Sunan were gradually rerouted to Nanjing-Changzhou Expressway after the commencement of operation of Lima Expressway (Lishui to Ma'anshan). As a result, the traffic volumes of passenger vehicles using the western portion of Shanghai-Nanjing Expressway, the core asset of the Group, recorded a slowdown in its year-on-year growth and the truck traffic volume significantly decreased for the Reporting Period. At present, Nanjing-Changzhou Expressway has become the major rerouting section of the western portion of Shanghai-Nanjing Expressway, giving rise to a negative impact on the overall performance of the traffic volumes and toll revenues of Shanghai-Nanjing Expressway in 2014. In order to eliminate the rerouting or diversion impact of parallel roads, the Group, during the Reporting Period, actively engaged in the acquisition of the roads in competition. In such regard, the Group could effectively control the traffic volumes of the roads within the Shanghai Nanjing corridor (滬寧通道), implement the effective integration of the assets of expressways within the region and enhance its dominating position within the expressway network of Sunan, thereby enabling further consolidation of the Group's core competitiveness.

## II. Discussion and Analysis of the Board on Future Development

### (1) Macroscopic environmental change and development trend in the industry

In 2015, the economic development of China is about to shift towards the new normality, meaning that the domestic economy is entering into a stage of transformation after 30 years of high growth, and that the economic growth will be gradually achieved in more stable manner with diversified driving force for the growth; the prospect for development will be growing in a more stable and quality manner. Meanwhile, new macroscopic economic policy in adaption to the new normality will gradually be formed. In particular, substantive reforms in some aspects and the emergence of new industries will foster the vibrancy and dynamism of mid- to long-term development of the economy. Under such macroscopic environment, the Group's transformation and upgrading, and the rooms for expansion of development will become more favorable. More business opportunities will follow the development of our operations under of "One Major Two Minors" (「一主兩輔」).

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Although the economic growth is expected to slow down under the new normality, which affects the performance of the transportation need in particular that for cargo transportation, the demand for roads and transportation is still of substance during the slow-down of economic growth. Following the gradual improvement on the expressway network, the vehicle population in society (社會汽車保有量) continues to increase and the consumption of residents is being strengthened, the demand for passenger and cargo transportation by roads will gradually be released and the competitiveness of expressway transportation compared to that of other transportation means will also be enhanced. It is noteworthy that under the prevailing environment where the tourism industry is maintaining a rapid development and the courier logistics industry, as induced by e-commerce, is growing extremely fast, the traffic volumes of roads will maintain certain dynamism for growth.

In recent years, toll road industry has continuously suffered from pressures and challenges brought by the change in or adjustment to policies. The State launched, one after another, the toll-free green passage for vehicles and toll free travel for small passenger vehicles during major festive periods and holidays. As a result, a considerable degree of negative impact would be inflicted on the major operating revenues of an enterprise which engages in road business. In 2015, the toll-free policy is still under implementation. Although the amendment proposal regarding the "Regulation on the Administration of Toll Roads" (《收費公路管理條例》) has not yet been finalized, such measure may be favorable for the long term, steady and healthy development of the industry, as reflected in the signal released from the opinions sought.

### (2) Analysis on the Group's Operation and Development

Following the transformation of the macroscopic economy as well as the modification to the industry structure, the development of the Group's business will face more challenges in the future. Given that Shanghai-Nanjing Expressway, the Company's core asset, was subject to traffic diversion of the west portion as well as gradual saturation in traffic volume of the east portion, slowdown in the growth of traffic volumes and toll revenue is expected to constitute a new normality. At the same time, there will be an increasing pressure on ensuring safe and unobstructed traffic under the era of mass transportation flow. Likewise, the requirements for the timeliness of the emergency plan of accident rescuing and for the informatization of daily operation and management become stricter. The Company is required to undergo further enhancement in the managerial and serving aspects.



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In order to cope with the impact brought by the competition and diversion of parallel roads and to implement expansion of the scale of the principal business, the Group actively engaged in the merger and acquisition of the two projects, namely Ningchang Zhenli and Xiyi Company, in 2014, and completed the relevant procedures regarding the examination and approval in March 2015.

### (3) Development Strategies and implementation of the Group

In 2012, the Board considered and approved the “Twelfth Five-Year” development plan of the Group and started full implementation. This plan determined the “233” strategic development system, that is, implementing the three strategies of “enhancement of principal business”, “business expansion” and “extension of platforms”, with the support of the enhanced infrastructural operational as well as investment management capabilities, which facilitate the preliminary development of the distribution framework of “one core and two supports” of three sectors, and accordingly the laying of a solid foundation for mid- and long-term strategic transformation.

2014 is the critical year in which the Group implemented the “Twelfth Five-Year” planning for development. In order to successfully achieve various goals of the said implementation, the Group, pursuant to the strategic missions as stated therein, the performance indicators and the “Strategic Management Measures of the Company” (《公司戰略管理辦法》), prepared and issued the indicators for strategic performance at all levels and the plan for analyzing strategic missions for 2014, confirmed the target value for the annual strategic indicator for crucial performance and the key strategic missions, conducted analysis on the progress of the annual strategic analysis and implementation plan at the end of 2014, and actively facilitated the implementation of the Company’s “Twelfth Five-Year” development strategy. For 2014, the Group’s various works were steadily and orderly commenced and carried out. The strategic plan in respect of the four aspects, namely, financial aspect, customer aspect, internal operating aspect (including the three major business strategies, that is, enhancement of major business, business development and platform extension) and the aspect of learning and growth were smoothly completed. Furthermore, the Group also achieved a substantive progress regarding the development of its major business, corporate culture and team building.

As for the major business, the Group grasped the favorable opportunity brought about by the enhanced functional restructuring of road and bridge enterprises as well as the consolidation of resources, to actively operate and complete the merger and acquisition of Ningchang Zhenli and Xiyi Company in 2014. In addition, the construction of the new Changzhou-Jiaxing Expressway as invested by our Group was conducted in an orderly manner. The establishment of the project company regarding Zhenjiang-Danyang Expressway was completed. The Group also actively facilitated the preparatory works in advance of construction of the projects.

As for the development of auxiliary business, the development of property projects was implemented pursuant to the plan for 2014. The Group continued to grasp the optimal opportunity to increase its land reserves and obtained the land use right in respect of the plot at No.2, New City Commercial Core Zone, south of Nanjing (南京南部新城商業核心區內2號) (“No. 2 Land Parcel”), marking a substantial step towards the development of commercial properties in the Nanjing area. The Company actively engaged in the joint project development with Luode Fund Company in the establishment of private equity funds, in an attempt to explore a new mode of investment and development of commercial properties, which achieved some progress. At the same time, Jiangsu GCL Gas, in which the Company maintained shareholding, steadily facilitated the construction of LNG gas station in the service area of Shanghai-Nanjing Expressway while the constructions of the gas stations in Yangcheng northern region, Meicun southern region and Xianrenshan southern region were basically completed.

## REPORT OF THE DIRECTORS

### (4) Operational Plan

#### ◇ Revenue Target

Based on the anticipated operating status and policy environment in 2015, the Board believes that the Group's operations will be subject to a certain degree of uncertainty. As the acquisition of Ningchang Zhenli and Xiyi Company completed in 2014 will give rise to new revenue contributions, it is expected that the total revenue of the Company will exceed RMB9,000 million in 2015. In view of the increase in labor and other costs, as well as the increase in financial expenses of the new liabilities arising from project acquisitions, the targeted operating costs and relevant expenses have been strived to be controlled under the amount of RMB6,200 million.

#### ◇ Plans and Measures

In order to ensure the profit target for 2014 can be achieved in order to well prepare for the future strategic development, the major measures of the Group in 2015 are as follows which are formulated according to the overall operational environment in 2015:

- (1) **To actively plan for the Group's "Thirteenth Five-Year" Development Strategy.** 2015 is the final execution year for the Group's "Twelfth Five-Year" Development Strategy and is the year for planning for the "Thirteenth Five-Year" Development Strategy. The Group will carry out a complete summary and evaluation on the implementation of the specific strategic indicators during the "Twelfth Five-Year" period. The Group will accurately grasp the medium- to long-term trend regarding transformation of the social economy and the industry development, conduct an in-depth analysis of the change in the internal and external operating environment resulted from the our entry into new stage of development, make further amendment and improvement to the specific strategic indicators and development goals, and make preparations for active planning of the Group's "Thirteenth Five-Year" Development Strategy.
- (2) **To actively seek opportunities for exploring and developing the major business of toll roads.** The Group will seize the opportunity for new development of consolidation of industry resources as a result of the reform of State-owned enterprises, will continue to be attended to and study the investment opportunity regarding the toll roads within the region and other transportation infrastructural aspects, will give full play to the function of the Company's financing platform and financial leverage, and will seek an appropriate chance for further consolidating and expanding the scale of the Group's major business.
- (3) **To steadily facilitate the balanced development of the Group's diversified business.** The Group will speed up the development of real estate projects and increase the efforts in respect of sales, will actively give full effect of the two platforms of property business, namely Ninghu Properties and Luode Fund Company, will explore the operating mode for joint development of commercial properties with fund houses in the achievement of a healthy and continuous development of property business, and will continuously enhance the profit contribution of property business. As for the operation of the service areas, the Group will actively promote the reform on the management mechanism and the exploration and innovation of operation, and will try to implement branding, chained operation and other modes, for purposes of image enhancement of the service areas, improvement of functions and diversified operations.



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- (4) **To actively develop financing innovation and ensure fund needs.** The Group will pay close attention to any change in the fiscal policy and financing environment, will strengthen the application of the direct financing tool within the capital market, will continue to explore financing channels, will reduce the reliance on bank loans, and will provide sufficient capital protection for the sake of the Group's strategic development. It will also actively use the contemporary financing derivative tools, will optimize the structure of interest-bearing obligation, will implement reasonable restructuring for the new debts as a result of project acquisition, will effectively reduce the cost of financing and will give full play to the financial synergic effect.
- (5) **To enhance road operation and management by informatization measures.** On the basis of the digitalization of the operation and management of expressways as well as the fact where the preliminary framework for informatization has been under normal implementation, the Group will accelerate the in-depth use of informatized construction projects, and will enhance the level of informatization in the context of managerial operation and road user servicing. With the help of the informatization measures, the Group will enhance its capability to maintain emergency roadside service without causing obstruction to traffic, will optimize and improve the dispatch system of operation commanding, will increase the efficiency regarding hindrance clear-up and emergency rescuing. Besides, it will further optimize the manner and channels of dissemination of information on public road conditions in order to facilitate road use with a greater degree of security and seamlessness. Meanwhile, pursuant to the requirements of the large-scale examination regarding the national road maintenance and management (全國公路養護管理大檢查的要求), the Group will facilitate an advance promotion of all specific maintenance projects for the benefit of the upgrade of road condition maintenance quality.

### (5) Capital needed for maintaining current business and completing investment projects under construction

In 2015, upon the completion of relevant legal procedure on merger and acquisition of two projects of Ningchang Zhenli and Xiyi Company, the Group will pay an amount for the acquisition of RMB1,164 million in accordance with the agreement and assume all interest-bearing liabilities of the two companies. Upon the completion of the transaction, the Group will give full play to capital advantage and financing platform advantage and achieve financial synergistic effect through early repayment of debts or debt replacement. Meanwhile, considering the capital invested in newly-constructed project and other capital expenditure of the Group, it is expected the total capital need of the Group in 2015 to be approximately RMB120 million.

Major capital expenditure items in 2015 are set out as follows:

Capital expenditure item	RMB'00 million
Construction of facilities, equipment and systems for monitoring, toll collection, communication, and lighting	4.9
Reconstruction of buildings	2.5
Investment in construction of Sujiaoyong Expressway	1.9
Investment in construction of Zhendan Expressway	9
Investment in projects of Ningchang Zhenli and Xiyi Company	11.6
Development of No. 2 Land Parcel	0.7
Other fixed assets and equipment	0.7
Total	31.3

## REPORT OF THE DIRECTORS

The Group, while fully leveraging its own capital, will actively seek more convenient financing channels and lower-cost financing products, and raise funds by way of direct financing such as issuing short-term commercial papers and mid-term notes to relieve the pressure from capital need and reduce finance costs. The financing in the 2015 plan of the Group includes ultra-short-term financing products in the amount of not more than RMB5,000 million and mid-term notes in the amount of not more than RMB4,000 million. The financing amount will be sufficient for the capital expenditure, debt roll-over and business development of the Group. In case of other capital expenditure demands on special occasions, the Group will adjust its financing plan based on the expenditure scale and actual cash flow condition.

### (6) Possible Risks

As a listed company in the transportation infrastructure sector primarily engaged in the investment, construction, operation and management of toll roads and bridges, the Company has established the risk management system, involving the Company's strategy, planning, operation, decision-making and other aspects, in a bid to ensure achievement of its operational target and sustained and healthy development in the future. Amid its future strategic development, the Company will pay keen attention to the following risks and proactively take effective countermeasures:

1. Risks associated with the change in macroeconomic environment

**Risk analysis:** The changes in the macro economy directly affect the demand of road transportation. In 2015, the economic development of China is shifting to the new normal, suggesting the domestic economy will enter a transformation period after experiencing 30 years of high-speed growth and thus influencing the demand for transport, especially the demand for cargo transport, and the operating results of the Group.

**Countermeasures:** In order to improve the operating performance of the expressways, the Company will carry out in-depth research on the functional positioning and features of the surrounding economic regions of projects, evaluate the impact of the macroeconomic trend on road transportation demands, continue to track on the changes in road networks and the trend of traffic volume, and through timely analysis and countermeasures, strive to reduce the adverse impact of economic conditions on the Company's operation.

2. Risks associated with industry policy changes

**Risk analysis:** The transportation infrastructure industry, with a pseudo-public nature, has always been strictly regulated by the government, so changes in the government's industry policies have a certain impact on toll road enterprises. In recent years, the industry has continuously faced pressure and challenges from policy changes or adjustment, and the country has implemented toll-free green passage policy and policy of toll-free travel for small passenger vehicles in major festivals and holidays, bringing greater negative impact on revenue from principal business. The public welfare property of toll roads is increasingly strengthened.

**Countermeasures:** The Company will take active measures to tackle changes in industry policies, and, while setting toll-free green passages at all toll stations, step up inspection over vehicles enjoying preferential tolls for using green passages. During toll-free periods on major festivals and holidays, the Company will establish and implement the mechanism concerning diversion and emergency response during peak traffic period, with a view to facilitating the traffic flows as well as ensuring the smooth and safe traffic flows during the festivals and holidays and peak hours, and at the same time, analyze and study relevant industry policy adjustments, communicate and coordinate with competent authorities through various feasible ways to express the expectations of the Company and investors, gain understanding and support and propose reasonable working plans, endeavoring to safeguard the interest of the Company.

## REPORT OF THE DIRECTORS

### 3. Risks associated with alternative means of transportation and traffic diversion of road networks

**Risk analysis:** With the rapid progress in construction of railway networks in the PRC, the construction of high speed railways has raised the passenger and cargo transport capability of railways. New transportation model will bring new competition pressure on the Group's operation in the future. On the other hand, the expressway network is being further expanded and improved, with parallel and alternative lines continuously added, traffic diversion of road networks will generate negative impact on the growth of toll revenues of the Company. At the end of 2013, after the opening for traffic of Lima Expressway and Ma'anshan Bridge, it will have diversion effect directly on traffic volume of Jiangsu Expressway, the core asset of the Group.

**Countermeasures:** As regards the risks associated with alternative means of transportation and traffic diversion of road networks, the Company will actively communicate with the government and its peers in the sector keep informed of road network plans and project construction status, and conduct special analysis on traffic diversion of road networks in advance. In order to response to the impacts from the competition from diversion of parallel roads, the Group will actively carry out the acquisitions of competitive roads, so as to effectively control the traffic volume in Shanghai-Nanjing Expressway, realize the integration of expressway assets within the region, further strengthen the control of the traffic volume within the highway network, and lower the diversion risk arising from the new roads in future. As a result, the Group's core competitiveness can be further consolidated. Meanwhile, the Company will preliminarily set up a modernization indicators system on the operation and management of Shanghai-Nanjing Expressway, strengthen facilities quality maintenance, and improve traffic efficiency by means of informatization. It will also provide a safe and smooth traffic service with high quality to drivers, and enhance the competitiveness and operation performance of projects.

### 4. Risks associated with expiry of franchise rights

**Risk analysis:** Franchise rights of toll road assets are subject to certain limits on toll collection terms, upon maturity of which, road-operating enterprises face serious challenges in respect of sustained development.

**Countermeasures:** In response to the need for sustained development upon maturity of toll collection terms, the Company has formulated the "Twelfth Five-Year" development plan, aiming for long-term development. The Company has preliminarily set up the distribution framework of "one core and two supports" three sectors, and will try to diversify the industry and policy risks through a diversified business, gradually increase the percentage of non-principal business in its revenues and profit, curb over-dependence on the principal business of toll roads, and gradually achieve upgrade of industrial structure and sustained development. In 2015, the Group will accurately seize the mid-term and long-term trends of economy transformation and development of the industry, analyze the changes in both the internal and external business environment in the new development phase, further amend and enhance the key strategic indicators and development target, in order to actively prepare for the formulation of the "Thirteenth Five-Year" development plan of the Group.

## REPORT OF THE DIRECTORS

### 5. Financial risks

**Risk:** Upon the completion of relevant legal procedures of the acquisition of Ningchang Zhenli and Xiyi Company in 2015, the Group will assume all the interest-bearing liabilities of the two companies, resulting significant increase in both the total amount of debt and gearing ratio. Meanwhile, taking into account of the investment of the Group in new construction projects, property projects development, daily operation capital demand and capital expenditures, the pressure from capital needs will increase significantly in the coming years.

**Countermeasures:** Under the principle of fully utilizing the self-owned capital, the Group will keep tracking on the changes in monetary policies and finance environment, actively seek for more convenient finance channels and finance products with lower cost, promote the use of direct financing instruments in capital market, and lower the reliance on bank loans, so as to provide sufficient capital assurance for the daily operation and strategic development of the Group, and ease the pressure from capital needs. Moreover, the Group will also optimize interest-bearing liabilities structure, restructure the addition liabilities from project acquisitions reasonably, optimize debt structure, reduce finance costs, and fully facilitate the financial synergy.

### 6. Risks associated with business expansion

**Risk analysis:** Based on its development strategy, the Company will proactively promote the distribution of “one core and two supports” three sectors. Due to relatively large difference between new business and the toll road business, failure to adapt to the new types of business in respect of market savvy, management model and human resources might affect the expansion of new business and thus bring risks to the overall development of the Group.

**Countermeasures:** As for the above risks, the Company, according to the external objective environment and its own actual conditions, will comprehensively consider the uniqueness of the industry and its merits and demerits, and formulate varied investment tactics and control models for different business sectors. Meanwhile, the Company will gradually adjust the organization structure and reform the management mechanism based on its strategic development need, vigorously establish strategy-oriented human resources planning, step up control over strategy implementation, build a professional management team and effectively control risks associated with business expansion.

**Qian Yong Xiang**  
*Director and General Manager*  
Nanjing, the PRC  
27 March 2015

## REPORT OF THE DIRECTORS

### III. The Board's Explanation on the Reasons and Influence of the Changes in Accounting Policies, Accounting Estimates and Audit Method

#### (I) Influence of adopting the new accounting principles to the consolidated financial statement

The Ministry of Finance promulgated/amended seven specific accounting principles at the beginning of 2014, including No.2, No.9, No.30, No.33, No. 39, No. 40 and No. 41 of the PRC Accounting Standards and promulgated the guidelines for the application of the foregoing seven accounting standards in the third quarter of 2014. Being a listed company which concurrently issued A Shares and H Shares, the Company adopted No.2, No.9, No.30, No.33, No.39 and No.40 of the Accounting Standards in advance when preparing the financial statements for 2013, and adopted No.41 of the Accounting Standards in advance when preparing the financial statements for the half year of 2014, and further adopted the specific provisions of the guidelines for the application of the relevant accounting standards when preparing the financial statements for the third quarter of 2014, with corresponding changes made to the accounting policy. For details, please refer to the relevant content of the Company's annual report for the year 2013, 2014 half year financial statement and the 2014 third-quarter financial statement. In June 2014, the Ministry of Finance amended No.37 – Presentation of Financial Instruments (金融工具列報) of the Accounting Standards and required all enterprises, to which the implementation of the PRC Accounting Standards applies, to implement the same from 2014 onwards. When preparing the annual report for 2014, the Company adopted such accounting standard and made corresponding change to its accounting policy. Such change will have no material impact on the financial statements of the Group prepared for 2014.

#### (II) Changes in the Accounting Estimates

Based on the facilitation of the progress of the Company's modernization and the assessment on the future use of the supplemental facilities of expressways, the Company's existing fixed-asset category can hardly satisfy the need of asset management. There are also changes to the expected service life spans as well as residual values of fixed assets under certain categories. Upon approval by the 14th meeting of the Seventh Session of the Board on 25 April 2014, the Company adopted Prospective Application (未來適用法) with effect from 1 January 2014 to adjust the categorization of fixed assets, as well as their service lives and residual values. The impact brought by the changes in the accounting estimates on the items under the accounting statement of the Reporting Period is as follows:

Unit: RMB

Influence in the items in the accounting statements	Consolidated financial statement	Financial statement of the Company
Decrease in fixed assets	30,341,865	27,181,946
Increase in operating costs	30,073,991	26,941,969
Increase in administrative expenses	267,874	239,977
Decrease in tax payable	7,585,466	6,795,486
Decrease in income tax	7,585,466	6,795,486
Decrease in profits or losses attributable to the minority Shareholders	355,491	—
Decrease in equity interests of the minority Shareholders	355,491	—
Decrease in the net profit attributable to the Company	22,400,908	20,386,460
Decrease in the net assets attributable to the Company	22,400,908	20,386,460

The management of the Company is of the view that the abovementioned changes in the accounting estimates will not exert any material impact on the financial status and operating results of the Group.

# REPORT OF THE DIRECTORS

## IV. Profit Distribution Policy and 2014 Profit Distribution Scheme

### 1. Profit distribution policy and Its Implementation

The Company's most important responsibility is to maintain stable long-term returns for our shareholders. The Company has established a long-term cash dividend mechanism and clarified in Article 18.8 of its articles of association: "The Company may distribute certain dividends by way of cash or bonus shares (or a combination of both) each year. The accumulative profits distribution in cash in the recent three years shall be no less than 30% of the average annual distributable profits in the same period." In accordance with the requirement of the Notice on Further Implementation of Relevant Issues Relating to Distribution of Cash Dividend by Listed Companies issued by China Securities Regulatory Commission, the Company specified the particulars of the cash dividend policy in the articles of association, so as to further improve the decision-making procedure and mechanism for cash dividend distribution.

The Company's annual profit distribution plan shall be proposed and formulated by the Board by reference to its articles of association, profits achieved by the Company and the supply and requirement of funds. When considering specific plan for distribution of cash dividends, the Board shall study and identify the timing, conditions and minimum proportion, conditions for adjustment and requirements for decision-making procedures involved for implementing the distribution of cash dividends, etc. Independent Directors shall explicitly express their independent opinions on the profit distribution plan. After being considered and approved by the Board, the profit distribution plan shall be proposed at the general meeting for Shareholders' consideration and approval and be implemented afterwards. When the profit distribution plan is considered, the Company shall take the initiative to communicate and exchange views with Shareholders, especially minority Shareholders, giving due care to their interest and appeal and timely responding to their queries.

The Company has been distributing cash dividends since its listing and the average dividend payout ratio is above 75%, providing investors opportunities to share the economic growth results of the Company.

### 2. 2014 Profit Distribution Scheme

In 2014, the Group realized an audited net profit attributable to the shareholders of the Company of approximately RMB2,574,754,000 and earnings per Share of approximately RMB0.511. Based on the total share capital of the Company of 5,037,747,500 Shares, the Board has proposed to pay cash dividends of RMB0.38 per share (tax inclusive) to all Shareholders. The aforementioned profit distribution scheme proposed by the Board will be submitted for consideration and approval at the 2014 annual general meeting. The exact date and procedures for the payment of final dividends will be announced separately.

Cash dividends for the past three years:

Unit: RMB

Item	2014	2013	2012
Cash dividends per 10 Shares (RMB)	3.80	3.80	3.60
Cash dividends (tax inclusive)	1,914,344,050	1,914,344,050	1,813,589,100
Net profit attributable to Shareholders	2,574,754,312	2,707,743,147	2,333,344,558
Cash dividend payout ratio	74.35%	70.70%	77.72%

Cash dividend per share (tax inclusive): RMB0.38 in 2014, RMB0.38 in 2013 and RMB0.36 in 2012.

## V. Performance of Social Responsibility

The Board has prepared the corporate social responsibility report for the year 2014 (the "Corporate Social Responsibility Report") to disclose the performance of social responsibility of the Company during the Reporting Period. The contents include the efforts of the Company in respect of promoting the economy of the region and maintaining the legitimate rights and interests of lenders, consumers, staff, communities, and other stakeholders; and the measures taken by the Company in respect of environmental protection, energy conservation and emission reduction and realization of sustainable development. Full text of the Corporate Social Responsibility Report has been posted on the websites of the SSE ([www.sse.com.cn](http://www.sse.com.cn)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

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# SIGNIFICANT MATTERS

## I. Material Litigation or Arbitration and Generally Questioned Issues by the Media

The Company or its subsidiaries were neither involved in any material litigation, arbitration or matters generally questioned by the media during the Reporting Period, nor was the Company or its subsidiaries involved in any material litigation or arbitration before and during the Reporting Period.

## II. Appropriation of Funds by Related Parties/Connected Persons

During the Reporting Period, no appropriation of funds on a non-operating basis by the Controlling Shareholder or its subsidiaries was found in the Company. Deloitte, the auditors of the Company for the Reporting Period, conducted a special audit and produced the Special Statement on Funds Appropriation by the Controlling Shareholder and other Related Parties of Jiangsu Expressway Company Limited (《關於江蘇寧滬高速公路股份有限公司控股股東及其他關聯方關連人士資金佔用情況的專項說明》).

## III. Bankruptcy and Restructuring

The Company was not involved in any incidents relating to bankruptcy and restructuring during the Reporting Period.

## IV. Asset Transactions and business combination

### Description and category of the events

### Inquiry Index

In order to expand the scale of the Group's major business of toll road, eliminate the impact of diversion brought by Nanjing-Changzhou Expressway (the parallel road) on the portion west of Wuxi of Shanghai-Nanjing Expressway and enhance the economies of scale of the management of Guangjing Xicheng, the Company, during the Reporting Period, actively engaged in the merger and acquisition of the two projects, namely Ningchang Zhenli and Xiyi Company. On 30 December 2014, it was considered and approved at the 17th Meeting of the Seventh Session of the Board that the Company might acquire 100% equity shares of Ningchang Zhenli in cash of RMB502 million and inherited all of its interest-bearing obligations, as consideration through a debt-to-equity conversion, and that the subsidiary Guangjing Xicheng acquired 100% equity shares of Xiyi Company in cash of RMB662 million and conducted the merger and acquisition of such two assets regarding Xiyi Company. On 12 March 2015, such was considered and approved at the first extraordinary Shareholders' meeting in 2015. At present, the procedures for relevant changes in the registration of industry and commerce are being completed.

For the details related to this transaction and the relevant approval, please refer to the announcement of the connected transactions published by the Company on 31 December 2014 on the website of the SSE: [www.sse.com.cn](http://www.sse.com.cn) and the website of the Stock Exchange: [www.hkexnews.hk](http://www.hkexnews.hk) and the announcement of the resolution of the Shareholders' meeting published by the Company on 12 March 2015.

## V. Implementation of Share Incentive Scheme

The Company does not implement any share incentive scheme at the moment.



# SIGNIFICANT MATTERS

## VI. Material Related Party/Connected Transactions

### (1) Major Related Party/Connected Transactions Relating to Day-to-Day Operation

1. Transactions disclosed in an interim announcement with no further progress or changes after implementation

#### Description of the events

#### Inquiry Index

On 21 March 2014, the Company and its subsidiary Guangjing Xicheng entered into road maintenance service contracts with Jiangsu Sundian with respect to the repair and maintenance services of Shanghai-Nanjing Expressway and Guangjing Expressway and Xicheng Expressway respectively. The duration of contracts was from 21 March 2014 to 31 December 2014, with the expected maximum maintenance service fees of RMB60 million and RMB37.5 million respectively. During the reporting period, the actual amount of the contracts were RMB26.67 million and RMB15.787 million respectively.

For the details related to this transaction, please refer to the announcement on the related party/connected transactions published by the Company on 24 March 2014 on the website of the SSE: [www.sse.com.cn](http://www.sse.com.cn) and the website of the Stock Exchange: [www.hkexnews.hk](http://www.hkexnews.hk)

During the Reporting Period, the Company and Guangjing Xicheng continued to perform in accordance with the operation technical services contracts signed with Network Operation Company with a term commencing from January 2012 to 31 December 2014. The service fees of Network Operation Company shall be in an amount pursuant to the rates approved by the Jiangsu Price Bureau, namely a standard rate of 0.2% from toll revenue in cash and 2% for non-cash revenue. During the Reporting Period, the Group had paid service fees of RMB26,704,000 in aggregate to Network Operation Company.

For the details related to this transaction, please refer to the announcement on the related party/connected transactions published by the Company on 31 December 2011 on the website of the SSE: [www.sse.com.cn](http://www.sse.com.cn) and the website of the Stock Exchange: [www.hkexnews.hk](http://www.hkexnews.hk)

On 30 December 2014, the Company and its subsidiary Guangjing Xicheng renewed their respective operation technical services contract with Network Operation Company based on the same contract terms, with effect from 1 January 2015 to 31 December 2017.

For the details related to this transaction, please refer to the announcement on the related party/connected transactions published by the Company on 31 December 2014 on the website of the SSE: [www.sse.com.cn](http://www.sse.com.cn) and the website of the Stock Exchange: [www.hkexnews.hk](http://www.hkexnews.hk)

During the Reporting Period, Guangjing Xicheng continued to perform in accordance with the Rental Agreement of Yanqiao Service Area Petrol Station signed with Jiangsu Petroleum for a term of 3 years from 1 January 2012 to 31 December 2014. According to the agreement, the rental fees are calculated based on RMB100 per ton of petroleum products sold and the minimum rental fees payable by Jiangsu Petroleum to Guangjing Xicheng are RMB500,000 per annum. Since Jiangsu Petroleum is a related/connected company of the Company of which 51.17% is held by the Controlling Shareholder, this transaction constitutes a related/connected transaction in relation to day-to-day operations. During the Reporting Period, Jiangsu Petroleum had paid Guangjing Xicheng rental fees totaling RMB4,457,000, which had not constituted a transaction subject to disclosure in announcements. On 30 December 2014, the Company, after being considered by the Board, renewed the service agreement based on the same contract terms, with effect from 1 January 2015 to 31 December 2017.

For the details related to this transaction, please refer to the announcement on the related party/connected transactions published by the Company on 31 December 2014 on the website of the SSE: [www.sse.com.cn](http://www.sse.com.cn) and the website of the Stock Exchange: [www.hkexnews.hk](http://www.hkexnews.hk)

## SIGNIFICANT MATTERS

### Description of the events

During the Reporting Period, the Company continued to perform in accordance with the property lease agreement signed with Jiangsu Sundian, pursuant to which, the office located in No. 2 Xianlin Avenue is leased to Jiangsu Sundian at an annual rent of RMB1,690,000 with a term from 1 September 2011 to 31 August 2014. During the Reporting Period, the Group had recognized the rental fees of RMB1,690,000 from Jiangsu Sundian in the operating revenue. Upon the expiry of the agreement, the Company, after being considered by the Board, renewed the property lease agreement based on the same contract terms, effective from 1 September 2014 to 31 August 2017.

The Company entered into a property leasing agreement with Network Operation Company in 2011, pursuant to which the Maqun Monitoring Centre at No. 189 Maqun New Street, Nanjing would be leased to Network Operation Company, with the term from 1 September 2011 to 31 August 2014 and at a rental fee of RMB4,460,000 per annum. During the Reporting Period, in light of the demand from the operation and management of Network Operation Company, it was proposed that the layout of Maqun Monitoring Centre would be adjusted. After the negotiation between Network Operation Company and the Company, it was agreed that the wings of Maqun Monitoring Center and equipment, including the canteen, dormitory, gate house and the reception hall for ETC costumers would be demolished. The total gross area involved amounted to 2,205.06 sq m. This matter was considered and approved at the fourteenth meeting of the seventh session of the Board and the Company entered into a compensation agreement for the demolition of certain properties and equipment of Maqun Monitoring Center and amendments to tenancy contract agreement with Network Operation Company. It was mutually agreed that the valuation of the assets of Maqun Monitoring Center subject to the proposed demolition at RMB6,258,000 and a tax of RMB1,245,000 payable under this transaction, RMB7,503,000 in aggregate, would be borne by Network Operation Company. The remaining gross area of 4,024 sq m would continue to be leased to Network Operation Company for a revised term from 1 May 2014 to 30 April 2017 at an adjusted rental fee of RMB3,612,000 per annum. Network Operation Company had paid the remaining rental fees of RMB1,487,000 for the period between 1 January 2014 and 30 April 2014 under the original agreement in a lump sum to the designated bank account of the Company within one month after the amended agreement became effective. During the Reporting Period, the Group had recognized the rental fees of RMB3,895,000 from Network Monitoring Center in the operating revenue.

### Inquiry Index

For the details related to this transaction, please refer to the announcement on the board meeting published by the Company on 25 August 2014 on the website of the SSE: [www.sse.com.cn](http://www.sse.com.cn) and the website of the Stock Exchange: [www.hkexnews.hk](http://www.hkexnews.hk)

For the details related to this transaction, please refer to the announcement on the related/connected transactions published by the Company on 26 April 2014 on the website of the SSE: [www.sse.com.cn](http://www.sse.com.cn) and the website of the Stock Exchange: [www.hkexnews.hk](http://www.hkexnews.hk)

## SIGNIFICANT MATTERS

### Description of the events

The Company and Guangjing Xicheng, a subsidiary of the Company, had entered into property leasing agreements for ETC customer service points with Network Operation Company on 25 April 2014 and 5 May 2014 respectively, pursuant to which, the properties of Jiangsu Expressway would be leased to Network Operation Company as ETC customer service points for a term commencing from 1 January 2014 to 31 December 2014. Upon expiry of the agreements, if Network Operation Company intends to continue to use such properties as service points, it shall notify the other party with one month's notice, and the management fees under the renewed agreements will be adjusted in accordance with the prevailing market conditions and shall be otherwise agreed upon by the parties thereto through consultations. The estimated maximum amount of the rental fees for and/or the actual amount involved in the two agreements are RMB1,323,000 and RMB53,000 respectively.

### Inquiry Index

This transaction is fully exempt since it constitutes a de minimus transaction under Rule 14A.76(1)(a) of the Hong Kong Listing Rules.

## (II) Related transactions in relation to asset acquisitions and disposals

### Description of the event

In 30 December 2014, the resolution on the Company's acquisition of the 100% equity interests in Ningchang Zhenli at a cash consideration of RMB502,000,000 was considered and approved at the seventeenth meeting of the seventh session of the Board of the Company. In this acquisition, the Company undertook all of the interest-bearing borrowings of Ningchang Zhenli and performed a debt/equity swap. The resolutions on the acquisition of 100% equity interests in Xiyi Company at a cash consideration of RMB662,000,000 by Guangjing Xicheng, the subsidiary of the Company, and on the merger by absorption of Xiyi Company were also considered and approved. At the 2015 first extraordinary general meeting, the aforesaid resolutions were considered and approved by the Shareholders.

### Inquiry index

For the details related to the transactions and consideration, please refer to the announcements on the related/connected transactions and on the resolutions of the general meeting published by the Company on 31 December 2014 and 13 March 2013 respectively on the website of the SSE: [www.sse.com.cn](http://www.sse.com.cn) and the website of the Stock Exchange: [www.hkexnews.hk](http://www.hkexnews.hk)

## (III) Dealings with related/connected parties in relation to debt obligations and liabilities

Unit: RMB'000

Related/Connected party	Related/connected relationship	Funding provided to related/connected parties		Closing balance	Funding provided by related/connected parties to the Company		Closing balance
		Opening balance	Amount		Opening balance	Amount	
Far East Shipping	Subsidiary of the parent company	0	0	0	190,000	0	190,000
Group Finance Co., Ltd.	Subsidiary of the parent company	0	0	0	80,000	-60,000	20,000
Total		0	0	0	270,000	-60,000	210,000

## SIGNIFICANT MATTERS

(1) Entrusted loan from Far East Shipping

During the Reporting Period, the Company continued to secure a loan of RMB190,000,000 from Far East Shipping, a related/connected party, by way of entrusted loan with a term of one year at an annual interest rate of 6%. As the entrusted loan constitutes financial assistance which is provided on normal commercial terms and no security over the assets of the Company is granted in respect of the financial assistance, the transaction is exempt from the reporting, announcement and independent shareholders' approval requirements under Rule 14.65(4) of the Hong Kong Listing Rules.

(2) Borrowings from Group Finance Co., Ltd.

In order to supplement the liquidity of Guangjing Xicheng, a controlling subsidiary of the Company, improve its capital efficiency and reduce its cost of funds, at the eighth meeting of the seventh session of the board of directors of the Company, it is agreed that Guangjing Xicheng to obtain the grant of a loan facility amounting to RMB300,000,000 from Group Finance Co., Ltd., a connected person of the Company with a term of 3 years, to be guaranteed by Guangjing Xicheng by way of credit guarantee. Please refer to the announcement on related party/connected transaction of the Company published on the websites of the SSE ([www.sse.com.cn](http://www.sse.com.cn)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) on 9 July 2013 for details of the transaction.

During the Reporting Period, Guangjing Xicheng secured a loan of RMB250,000,000 from Group Finance Co., Ltd. by way of credit guarantee and repaid RMB310,000,000. As at 31 December 2014, the balance of the loan by Guangjing Xicheng from Group Finance Co., Ltd. amounted to RMB20,000,000. The loan carried an interest rate equivalent to the prevailing bank benchmark interest rate at a discount of 5%. The interest rate will remain the same during the term of the loan, and the remaining loan facility will be drawn down, within the total grant and the maturity, from time to time as necessary and when appropriate.

### (IV) Confirmation Opinion by Independent Non-executive Directors on Related Party/Connected Transactions

The Independent Non-executive Directors of the Company have reviewed all related party/connected transactions and confirmed that:

- (1) Such transactions were conducted in the ordinary course of business of the Company;
- (2) Such transactions were conducted on normal commercial terms or, if transactions available for comparison were insufficient to determine whether the terms of such transactions are normal commercial terms, from the perspective of the Company, the terms of such transactions were no less favorable than the terms offered to or by independent third parties; and
- (3) Such transactions were conducted in accordance with the terms of the agreements governing relevant transactions. The transaction terms were fair and reasonable and in the interests of the Company's shareholders as a whole.

## SIGNIFICANT MATTERS

### (V) Confirmation Opinion from the Auditor on Ordinary related transactions/Continuing Connected Transactions

Deloitte, having been advised that the ordinary related transactions/continuing connected transactions would be disclosed in the 2014 annual report of the Company, has reviewed those connected transactions and issued a letter to the Board to confirm that the connected transactions:

- (1) have been approved by the Board of the Company;
- (2) were carried out based on the pricing policy of the Company (if the transaction involves provision of goods or services by the Company);
- (3) were carried out in accordance with terms of agreements governing relevant transactions; and
- (4) have not exceeded the caps as disclosed in the previous announcements.

### (VI) Related party/connected transactions in Notes 11 and 15 to the Financial Statements of the Company for 2014

The related party/connected transactions set out in Notes 11 and 15 to the Financial Statements of the Company for 2014 are in compliance with the requirements under Chapter 14A of the Hong Kong Listing Rules:

#### 1. Note 11:

- (1) Related party/connected transactions in relation to the sales and purchase of goods, provision and receipt of services

Related/connected party	Type of related/connected transactions	Whether or not constituting related/connected Transaction or continuing connected transaction (related/connected relationship)	Details of related/connected transaction	Whether or not in compliance with the disclosure requirement under Chapter 14A of the Hong Kong Listing Rules
Kuailu Co., Ltd.	Goods sold	No (investee company of the Company)	Petrol fee	N/A
Kuailu Co., Ltd.	Service provided	No (investee company of the Company)	Toll road fee	N/A
Network Operation Company	Service provided	Continuing connected transaction (associate of the Company's substantial shareholder)	Management fee for toll road system maintenance and operation	Yes (published an announcement on 30 December 2011 at the Stock Exchange and SSE in accordance with the Listing Rules of the Stock Exchange and the SSE)
Jiangsu Sundian	Service provided	Continuing connected transaction (associate of the Company's substantial shareholder)	Road maintenance fee	Yes (published an announcement on 22 March 2013 at the Stock Exchange and SSE in accordance with the Listing Rules of the Stock Exchange and the SSE)
Nanlin Hotel	Service received	Continuing connected transaction (associate of the Company's substantial shareholder)	Food and beverage and accommodation	Yes (exempt from the announcement requirement according to Rule 14A.76(1) (a))
Far East Shipping	Financing	Continuing connected transaction (associate of the Company's substantial shareholder)	Interest expenses of entrusted loan	Yes (exempt from the announcement requirement according to Rule 14A.90)
Group Finance Co., Ltd.	Financing	Continuing connected transaction (associate of the Company's substantial shareholder)	Liquidity Loans	Yes (exempt from the announcement requirement according to Rule 14A.90)

## SIGNIFICANT MATTERS

(2) Leases with related/connected parties

Name of lessor	Name of lessee	Whether or not constituting a related/connected transaction or continuing connected transaction (related/connected relationship)	Type of leased assets	Whether or not in compliance with the disclosure requirement under Chapter 14A of the Hong Kong Listing Rules
The Company	Network Operation Company	Continuing connected transaction (associate of the Company's substantial shareholder)	Buildings lease	Yes (exempt from the announcement requirement according to Rule 14A.76 (1)(a))
The Company	Jiangsu Sundian	Continuing connected transaction (associate of the Company's substantial shareholder)	Buildings lease	Yes (exempt from the announcement requirement according to Rule 14A.76 (1)(a))
Guangjing Xicheng	Jiangsu Petroleum	Continuing connected transaction (associate of the Company's substantial shareholder)	Petrol business lease	Yes (exempt from the announcement requirement according to Rule 14A.76 (1)(a))

(3) Guarantees with related/connected parties

Guarantor	Whether or not constituting a related/connected Transaction or continuing connected transaction (related/connected relationship)	Whether or not in compliance with the disclosure requirement under Chapter 14A of the Hong Kong Listing Rules
Communications Holdings	Continuing connected transaction (substantial shareholder of the Company)	Yes (exempt from the announcement requirement according to Rule 14A.90)

(4) Borrowings/loans with related/connected parties

Related/connected party	Whether or not constituting a related/connected Transaction or continuing connected transaction (related/connected relationship)	Whether or not in compliance with the disclosure requirement under Chapter 14A of the Hong Kong Listing Rules
<i>Borrowed from:</i> Far East Shipping	Continuing connected transaction (associate of the Company's substantial shareholder)	Yes (exempt from the announcement requirement according to Rule 14A.90)
Group Finance Co., Ltd.	Continuing connected transaction (associate of the Company's substantial shareholder)	Yes (exempt from the announcement requirement according to Rule 14A.90)

## SIGNIFICANT MATTERS

- (5) Asset transfer and debt restructure of related/connected party

Related/connected party	Whether or not constituting a related/connected transaction or continuing connected transaction (related/connected relationship)	Whether or not in compliance with the disclosure requirement under Chapter 14A of the Hong Kong Listing Rules
Network Operation Company	Compensation for property removal of the Company	Yes (published an announcement on 26 April 2014 at the Stock Exchange and SSE in accordance with the Listing Rules of the Stock Exchange and the SSE)

- (6) Compensation for key management personnel

Item	Whether or not constituting a related/connected Transaction or continuing connected transaction (related/connected relationship)	Whether or not in compliance with the disclosure requirement under Chapter 14A of the Hong Kong Listing Rules
Compensation for key management personnel	Continuing connected transaction (Directors and General Manager of the Company)	Yes (exempt from the announcement requirement according to Rule 14A.95)

### 2. Note 15:

- (1) Related party/connected transactions in relation to the sales and purchase of goods, provision and receipt of services

Related/connected party	Type of related/connected transactions	Whether or not constituting related/connected transaction or continuing connected transaction (related/connected relationship)	Details of related/connected transaction	Whether or not in compliance with the disclosure requirement under Chapter 14A of the Hong Kong Listing Rules
Kuailu Co., Ltd.	Goods sold	No (investee company of the Company)	Petrol fee	N/A
Kuailu Co., Ltd.	Service provided	No (investee company of the Company)	Toll road fee	N/A
Jiangsu Sundian	Service received	Continuing connected transaction (associate of the Company's substantial shareholder)	Road maintenance fee	Yes (published an announcement on 22 March 2013 at the Stock Exchange and SSE in accordance with the Listing Rules of the Stock Exchange and the SSE)
Network Operation Company	Service received	Continuing connected transaction (associate of the Company's substantial shareholder)	Management fee for toll road system maintenance and operation	Yes (published an announcement on 30 December 2011 at the Stock Exchange and SSE in accordance with the Listing Rules of the Stock Exchange and the SSE)
Guangjing Xicheng	Financing	No (85% subsidiary of the Company)	Interest expenses of entrusted loan	N/A
Far East Shipping	Financing	Continuing connected transaction (associate of the Company's substantial shareholder)	Interest expenses of entrusted loan	Yes (exempt from the announcement requirement according to Rule 14A.90)
Ninghu Properties	Financing	No (wholly-owned subsidiary of the Company)	Interest income of entrusted loan	N/A
Nanlin Hotel	Service received	Continuing connected transaction (associate of the Company's substantial shareholder)	Food and beverage and accommodation	Yes (exempt from the announcement requirement according to Rule 14A.76 (1)(a))

## SIGNIFICANT MATTERS

### (2) Leases with related/connected parties

Name of lessor	Name of lessee	Whether or not constituting a related/connected transaction or continuing connected transaction (related/connected relationship)	Type of leased assets	Whether or not in compliance with the disclosure requirement under Chapter 14A of the Hong Kong Listing Rules
The Company	Network Operation Company	Continuing connected transaction (associate of the Company's substantial shareholder)	Buildings lease	Yes (exempt from the announcement requirement according to Rule 14A.76 (1)(a))
The Company	Jiangsu Sundian	Continuing connected transaction (associate of the Company's substantial shareholder)	Buildings lease	Yes (exempt from the announcement requirement according to Rule 14A.76 (1)(a))
Ninghu Investment	The Company	No (wholly-owned subsidiary of the Company)	Buildings lease	N/A

### (3) Guarantees with related/connected parties

Guarantor	Whether or not constituting a related/connected transaction or continuing connected transaction (related/connected relationship)	Whether or not in compliance with the disclosure requirement under Chapter 14A of the Hong Kong Listing Rules
Communications Holdings	Continuing connected transaction (the Company's substantial shareholder)	Yes (exempt from the announcement requirement according to Rule 14A.90)

### (4) Borrowings/loans with related/connected parties

Current year:

Related/connected party	Whether or not constituting a related/connected transaction or continuing connected transaction (related/connected relationship)	Whether or not in compliance with the disclosure requirement under Chapter 14A of the Hong Kong Listing Rules
<i>Borrowed from</i> Far East Shipping	Continuing connected transaction (associate of the Company's substantial shareholder)	Yes (exempt from the announcement requirement according to Rule 14A.90)
Guangjing Xicheng	Continuing connected transaction (associate of the Company's substantial shareholder)	Yes (published an announcement on 9 July 2013 at the Stock Exchange and SSE in accordance with the Listing Rules of the Stock Exchange and the SSE)
<i>Borrowed to</i> Ninghu Properties	No (wholly-owned subsidiary of the Company)	N/A

### (5) Asset transfer and debt restructure of related/connected party

Related/connected party	Whether or not constituting a related/connected transaction or continuing connected transaction (related/connected relationship)	Whether or not in compliance with the disclosure requirement under Chapter 14A of the Hong Kong Listing Rules
Network Operation Company	Compensation for property removal	Yes (published an announcement on 26 April 2014 at the Stock Exchange and SSE in accordance with the Listing Rules of the Stock Exchange and the SSE)



## SIGNIFICANT MATTERS

- (6) Compensation for key management personnel

Item	Whether or not constituting a related/ connected transaction or continuing connected transaction (related/ connected relationship)	Whether or not in compliance with the disclosure requirement under Chapter 14A of the Hong Kong Listing Rules
Compensation for key management personnel	Continuing connected transaction (Directors and General Manager of the Company)	Yes (exempt from the announcement requirement according to Rule 14A.95)

## VII. Material Contracts and Their Fulfillment

### 1. Trust, Subcontracting and Leasing

During the Reporting Period, the Company had no material trust and subcontracting.

During the Reporting Period, the leasing matters of the Company mainly included the leasing of the petroleum products sales business to Jiangsu Petroleum, and the leasing of offices to Jiangsu Sundian and Network Operation Company. For details, please refer to “Material Related Party/Connected Transactions” of this chapter.

### 2. Guarantees

Ninghu Properties, a subsidiary of the Company provided guarantees with liabilities to banks for mortgage loans granted to commodity properties buyers according to the common practice of the property industry. The liabilities began from the date on which the guarantee contract comes into effect and will end on the date when the buyers complete the registration of mortgage for the purchased properties and the housing charge certificates of the properties are passed to the banks. As at 31 December 2014, the outstanding guarantees amounted to approximately RMB175,803,000 (31 December 2013: RMB83,922,000).

### 3. Other Material Contracts

During the Reporting Period, save for all the related/connected transactions contracts disclosed above, the Company and its subsidiaries did not enter into any other material contract with or provide any loan to the Controlling Shareholder of the Company or its subsidiaries or related/connected persons. Save for the contracts disclosed above, the Company did not enter into material service or management contract with any other individual, firm or body corporate. The Company and its subsidiaries did not enter into any management contract pursuant to section 543 under the Companies Ordinance of Hong Kong during the Reporting Period.

## VIII. Undertakings and Fulfillment of Undertakings

- As at the date of disclosure of the annual report, no unfulfilled undertaking in respect of operating results of the Company exists.
- As at the date of disclosure of the annual report, neither the Company nor shareholders holding more than 5% of the shares of the Company had any unfulfilled undertaking in respect of asset injection or asset integration.

## SIGNIFICANT MATTERS

### IX. Appointment of Auditors

The reappointment of Deloitte Touche Tohmatsu Certified Public Accountants LLP as the domestic auditor of the Company for 2014 was approved at the Company's 2013 Annual General Meeting. The audit fees amounted to RMB2,100,000 for 2014. Deloitte, a practicing certified public accountants firm approved by the Ministry of Finance and the CSRC to act as a reporting accountant and/or an auditor for Mainland incorporated companies listed in Hong Kong, was engaged to audit the financial statements of the Company for the fiscal year ended 31 December 2014 prepared under the PRC Accounting Standards and to undertake the duties required to be performed by international auditors in accordance with the Hong Kong Listing Rules.

Deloitte was also appointed as the internal control auditor of the Company for 2014 at the general meeting. The audit fee was RMB680,000.

Deloitte has been providing audit services to the Company for twelve consecutive years since 2003. In 2008, 2010 and 2014, such auditing firm changed the partner responsible for the audit services provided to the Company.

### X. Regulatory Sanctions and Rectification

During the Reporting Period, there was no major administrative punishment, reprimand or other public condemnation imposed against the Company or any of its Directors, supervisors, senior management members and de facto controller by regulatory authorities.

### XI. Impacts on the consolidated financial statements of new accounting policies

#### 1. Impact of changes in long-term equity investment standards on consolidated financial statements

As an A-share and H-share listed company, the Company has early applied six policies, namely the Amendment to ASBE No.2 — Long-term equity investment, Amendment to ASBE No.9 — Employee benefits, Amendment to ASBE No.30 — Presentation of financial statements, Amendment to ASBE No.33 — Consolidated financial statements, ASBE No.39 — Fair value measurement and ASBE No.40 — Joint arrangements, that have been issued by MOF from January to March 2014 in the financial statements for 2013. Among which, the impacts on the consolidated financial statements for the current year of Amendment to ASBE No.2 — Long-term equity investment are set out as follows:

Unit: RMB

Investee	Basic information on transaction	Equity attributable to shareholders of the parent company as at 1 January 2014 (+/-)	Long-term equity investments (+/-)	Held-for-trading financial assets as at 31 December 2014 (+/-)	Equity attributable to shareholders of the parent company (+/-)
Jiangsu Expressway Network Toll Collection Technical Services Company Limited			-10,460,000	10,460,000	
Jiangsu Sundian Engineering Company Limited			-7,367,500	7,367,500	
Jiangsu Financial Leasing Co., Ltd.			-270,898,456	270,898,456	
Shenzhen Ruijin Industrial Co., Ltd.			-2,000,000	2,000,000	
Total	/	0	-290,725,956	290,725,956	0

## SIGNIFICANT MATTERS

Explanations on impact of changes in long-term equity investment standards on consolidated financial statements:

According to the amendment to ASBE No. 2-Long-term equity investments, long-term equity investments no longer include the investment which has no joint control or great influence over the investee, no quoted price in an active market and the fair value of which cannot be measured reliably. Meanwhile, the revised standard clarify the calculating method of cost method and equity method, as well as the accounting treatments on the following special situations: when the investor can exert control, significant influence or joint control over the investee because of reasons such as increasing investments; when the investor lose control, joint control or significant influence over the investee because of reasons such as partial disposal of equity investments; and when classifying the equity investments of associates or joint ventures into assets held for sale entirely or partially. In accordance with the amendment to ASBE No. 2-Long-term equity investments, the management classifies the investments of the Group which has no joint control or significant influence over the investee, no quoted price in an active market and the fair value of which cannot be measured reliably into available-for-sale financial assets, and the retroactive adjustments of the reclassification are conducted accordingly.

### XII. Charity Donation

The Group commits to perform its obligations as a corporate citizen by initially participating in social services and public benefit activities. A proposal related to matters of annual charity donation will be proposed at the annual Board meeting of the Company each year. In 2014, public donation contributed by the Company amounted to approximately RMB1,376,000, including poverty alleviation fund, education fund and charity fund.

# CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

## I. Changes in Share Capital

During the Reporting Period, there are no changes of total number and structure of Shares.

## II. The Issue and Listing of Shares

1. The Company issued 1,222 million H Shares at the issue price of HK\$3.11 per Share which were listed on the Stock Exchange on 27 June 1997.
2. The Company issued 150 million social public shares (A Shares) to domestic investors at the issue price of RMB4.20 per Share. The issue of A Shares was launched from 22 December to 23 December 2000 by means of both online pricing issue and placing to investors in the secondary market. The A Shares were listed on the SSE on 16 January 2001.
3. The Company's ADR scheme was effective on 23 December 2002 and such ADR Shares have since then been traded in the over-the-counter market in the United States.
4. The Company implemented the reform on 16 May 2006 under which the holders of A Shares not in circulation transferred a total of 48,000,000 A Shares to the circulating A Shareholders at nil consideration. As such, the number of A Shares in circulation was increased from 150,000,000 Shares to 198,000,000 Shares. The total number of the Shares has not been changed under the Share Segregation Reform.
5. Since 16 May 2007, the Shares in circulation with selling restrictions have been listed and circulated in batches following the satisfaction of the conditions regarding selling restrictions and the relevant formalities. The first batch totaling 103,260,554 Shares, the second batch totaling 36,073,799 Shares, the third batch totaling 11,819,527 Shares, the fourth batch totaling 57,644,500 Shares, the fifth batch totaling 14,087,700 Shares, the sixth batch totaling 2,851,900 Shares, the seventh batch totaling 4,827,000 Shares, the eighth batch totaling 4,091,873 Shares, the ninth batch totaling 3,331,637,902 Shares, the tenth batch totaling 1,250,000 Shares, the eleventh batch totaling 3,294,000 Shares and the twelfth batch totaling 23,916,600 Shares were circulated on 16 May 2007, 14 June 2007, 27 July 2007, 27 February 2008, 10 October 2008, 8 June 2009, 10 March 2010, 17 December 2010, 20 May 2011, 29 July 2011, 17 August 2012 and 6 November 2013, respectively. As at the end of the Reporting Period, the number of A Shares increased to 3,792,755,355 shares, representing 75.29% of the Company's total Share capital. The total number of Shares remained unchanged as a result of the said circulation of Shares.
6. The Company issued corporate bonds amounted to RMB1.1 billion via on-line and off-line channels from 28 to 30 July 2008. The Corporate Bonds bore a coupon rate of 5.40% p.a. with a term of three years. The corporate bonds were listed on the SSE on 12 August 2008 with stock abbreviation "08 Ninghu bonds" and bond code "122010", and the principal and the interest thereon were repaid on 28 July 2011.

Category of Shares and their derivative securities	Issue date	Issue price/ (coupon rate)	Size of issue	Listing date	Trading volume with listing approval	Expiration date of trading
H Shares	27 June 1997	HK\$3.11	1,222 million Shares	27 June 1997	1,222 million Shares	N/A
A Shares	23 December 2000	RMB4.20	150 million Shares	16 January 2001	150 million Shares	N/A
Corporate Bonds	28 July 2008	5.4%	RMB1.1 billion	12 August 2008	RMB1.1 billion	28 July 2011

## CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

### III. Shareholders and de facto controller

#### (I) Total number of Shareholders

Total number of Shareholders at the end of the Reporting Period	37,442
Total number of Shareholders by the close of the fifth trading days before publication of the annual report	36,335
Total number of preference Shareholders with voting rights restored at the end of the Reporting Period	0
Total number of preference Shareholders with voting rights restored by the close of the fifth trading day before publication of the annual report	0

#### (II) Shareholdings of top ten Shareholders and top ten holders of Shares in circulation (or holders of Shares without selling restrictions) at the end of the Reporting Period

Unit: Shares

Name of Shareholder (full name)	Shareholdings of top ten Shareholders						
	Change during the Reporting Period	Number of Shares held at the end of the Reporting Period	Shareholding percentage (%)	Number of Shares held subject to selling restrictions	Shares pledged or frozen Status of Shares	Number	Type of Shareholder
Jiangsu Communications Holdings Company Limited	0	2,742,578,825	54.44	0	Nil	0	State-owned legal person
China Merchants Huajian Highway Investment Co., Ltd.	0	589,059,077	11.69	0	Nil	0	State-owned legal person
JPMorgan Chase & Co.	0	110,855,438	2.2	0	Unknown	0	Foreign legal person
Mondrian Investment Partners Limited	0	110,350,000	2.19	0	Unknown	0	Foreign legal person
BlackRock, Inc.	0	97,177,558	1.93	0	Unknown	0	Foreign legal person
Commonwealth Bank of Australia	0	61,519,930	1.22	0	Unknown	0	Foreign legal person
Jiantou Zhongxin Asset Management Co., Ltd.	0	21,410,000	0.42	0	Unknown	0	Others
Great Wall — Bank of China — Invesco Asset Management Limited — Invesco PRC Equity Fund	0	18,312,774	0.36	0	Unknown	0	Others
Guotai Junan Securities Co., Ltd.	0	18,222,391	0.36	0	Unknown	0	Others
China Life Insurance Company Limited (Taiwan) — Own Funds	0	16,486,164	0.33	0	Unknown	0	Others

## CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

Name of Shareholder	Shareholding of top ten Shareholders without selling restrictions		
	Number of Shares without selling restrictions in circulation	Class and number of Shares Class	Number
Jiangsu Communications Holdings Company Limited	2,742,578,825	RMB-denominated ordinary Shares	2,742,578,825
China Merchants Huajian Highway Investment Co., Ltd.	589,059,077	RMB-denominated ordinary Shares	589,059,077
JPMorgan Chase & Co.	110,855,438	Foreign-owned Shares listed overseas	110,855,438
Mondrian Investment Partners Limited	110,350,000	Foreign-owned Shares listed overseas	110,350,000
BlackRock, Inc.	97,177,558	Foreign-owned Shares listed overseas	97,177,558
Commonwealth Bank of Australia	61,519,930	Foreign-owned Shares listed overseas	61,519,930
Jiantou Zhongxin Asset Management Co., Ltd.	21,410,000	RMB-denominated ordinary Shares	21,410,000
Great Wall — Bank of China — Invesco Asset Management Limited — Invesco PRC Equity Fund	18,312,774	RMB-denominated ordinary Shares	18,312,774
Guotai Junan Securities Co., Ltd.	18,222,391	RMB-denominated ordinary Shares	18,222,391
China Life Insurance Company Limited (Taiwan) — Own Funds	16,486,164	RMB-denominated ordinary Shares	16,486,164
Illustration on the connected relationship or act-in-concert arrangement with respect to the above Shareholders	(1)	The Company is not aware of the existence of related/ connected relationship or act-in-concert arrangement with respect to the above Shareholders.	
	(2)	During the Reporting Period, there were no related/ connected parties, strategic investors nor normal legal persons of the Company becoming the top ten Shareholders because of placing of new Shares.	
	(3)	The number of shares of H Shareholders are per the record of registration under the SFO	
Illustration on the preference Shareholders with voting rights restored and the shareholding thereof	Nil		

## CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

The number of Shares in circulation held by Shareholders and their selling restrictions as at 31 December 2014

Unit: Shares

No.	Name of Shareholders with selling restrictions attached	Number of Shares held with selling restrictions	Listing and trading status of Shares with selling restrictions		Selling restrictions
			Date permissible for listing and trading	Number of additional Shares permissible for listing and trading	
1	Other public Shareholders as legal persons	22,992,145	16 May 2007	0	Note 1

*Note 1:* Prior consent shall be obtained from the holders of the Shares not in circulation who have advanced the consideration on behalf of them and that the consideration so advanced shall be repaid by the relevant non-circulating Shareholder. For repayment, the relevant Shareholders may opt to transfer the number of Shares being advanced or to pay in cash in an amount with reference to the average closing price of the five trading days following the implementation date of the Share Segregation Reform as the consideration for such Shares. Application for the listing status of such Shares will then be submitted by the Company to the Stock Exchange.

As at 31 December 2014, as far as the Company is aware, the following persons held 5% or more of the interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be maintained under the SFO:

Name	Capacity	Direct interests	Number of H Shares held	Percentage of H Shares out of the entire Share capital (%)
Jiangsu Communications Holdings Company Limited.	Others	Yes	2,742,578,825(L)	54.44(L)
China Merchants Group Limited/ China Merchants Huajian Highway Investment Co., Ltd <sup>(1)</sup>	Others	Yes	589,059,077(L)	11.69(L)
JPMorgan Chase & Co.	Interest of controlled corporation	No	110,855,438(L) 3,799,900(S) 61,625,251(P)	9.07(L) 0.31(S) 5.04(P)
Mondrian Investment Partners Limited	Investment manager	No	10,350,000(L)	9.03(L)
BlackRock, Inc.	Investment manager	No	97,177,558(L) 2,554,000(S)	7.95(L) 0.21(S)
Commonwealth Bank of Australia	Interest of controlled corporation	No	61,519,930(L)	5.03(L)

Notes: (L) Long position; (S) Short position; (P) Lending pool

(1) China Merchants Group Limited was deemed to be interested in the Shares by virtue of its controlling interests in China Merchants Huajian Highway Investment Co., Ltd.

Save as disclosed above, to the Company's best knowledge, as at 31 December 2014, there was no person required to make disclosure under the SFO.

## CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

### IV. Controlling Shareholders and change of de facto controller

#### (I) Controlling Shareholders

##### 1. Legal person

*Unit: RMB*

Name	Jiangsu Communications Holdings Company Limited
Representative or legal representative	Chang Qing
Date of establishment	15 September 2000
Organization code	13476706-3
Registered capital	16.8 billion
Principal business	The Company is engaged in the operation and management of State-owned assets; investment, construction, operation and management of transport infrastructure, transportation and other related sectors, collection of tolls from vehicles according to the relevant rules; and industrial investment and domestic trading within the scope of authorization of the provincial government.
Operating result and financial position	In 2014, the Controlling Shareholder achieved an operating revenue of approximately RMB41.3 billion, representing an increase of approximately 0.7% as compared with the same period last year; net cash flow from operating activities amounted to approximately RMB14.8 billion, representing a decrease of approximately 2.8% as compared with the same period last year; a net profit of approximately RMB6.4 billion, representing an increase of approximately 34.5% as compared with the same period last year. As at the end of 2014, the total assets and net assets of the Controlling Shareholder amounted to approximately RMB235.3 billion and 79.8 billion, respectively. (unaudited)

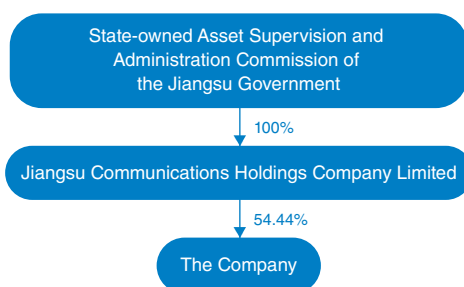


## CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

Future development strategy	The overall development strategy of Communications Holdings during the “12th Five Year Plan” period include: to complete the investment in the major transportation infrastructure project in Jiangsu Province, press ahead with the transformation and upgrading of the enterprise, carry out four key strategies, namely “to drive the industry development through synergy, innovation, talents and brand”, vigorously promote the principal business of road and bridge, accelerate the development in the financial and new energy industries, further explore in commercial property sector, so as to greatly enhance the risk resistance capacity, profitability and sustainable development capacity, and build the Company into a highly efficient investment and financing platform to bolster the modernization of Jiangsu’s transportation infrastructures as well as the most competitive enterprise among peers in China, respectively.
Equity interests in other domestically and overseas listed companies which were controlled or invested by the Controlling Shareholder during the Reporting Period	There was no change in the controlling or shareholding interests of the Controlling Shareholder in other domestically and overseas listed companies during the Reporting Period.

### 2. The de facto controller of the Company

Diagram on the ownership and controlling relationship between the Company and the de facto controller



## CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

### (II) Other Substantial Shareholders

The information on China Merchants Huajian, the second largest Shareholder of 589,059,077 Shares which accounted for 11.69% of the Company's total Share capital, is as follows:

Name of legal person shareholder	Legal representative	Date of establishment	Organization code	Registered capital	Principal businesses
China Merchants Huajian Highway Investment Co., Ltd.	Li Xiao Peng	18 December 1993	10171700-0	RMB1,500 million	Investment in and development, construction, operation and management of infrastructures including roads, bridges, docks, ports and passages; management of investment; research and development of new technologies, new products and new materials related to transport infrastructure and the sales of products; the sales of building materials, electrical machinery and equipment, automobile and auto accessories, metals and electronics and groceries; economic information consultation (the projects shall be approved under the law and approvals shall be obtained from relevant regulatory authorities before commencement of operation).

## V. Others

### 1. Purchase, sale and redemption of Shares of the Company

During the Reporting Period, there had been no purchase, sale or redemption of the Shares by the Company or any of its subsidiaries; nor had there been any person who exercised the conversion rights or subscription rights in respect of convertible securities, options, warrants or other similar rights issued or granted by the Company or any of its subsidiaries at any time.

### 2. Pre-emption rights

In accordance with the laws of the PRC and the Company's articles of association, the Company did not grant any pre-emption rights pursuant to which the Company was required to offer new Shares to existing Shareholders in proportion to their shareholdings.

### 3. Public float

According to public information and as far as the Directors are aware, the Board is of the view that the public float of the Shares as at 27 March 2015 (being the latest practicable date prior to the publication of this report) complied with the requirements of the Hong Kong Listing Rules.

### 4. Circulating market capitalization

Based on the publicly available information, as at the end of the Reporting Period, the circulating market capitalization of A Shares (Share capital of A Shares in circulation x closing price of A Shares of RMB7.3) of the Company was approximately RMB27.855 billion and the circulating market capitalization of H Shares of the Company (Share capital of H Shares in circulation x closing price of H Shares of HK\$9.53) was approximately HK\$11.316 billion.

### 5. Shareholders' waiver or agreement on dividend arrangement

During the Reporting Period, there had been no arrangement on waiver of any dividend by the Shareholders.

## CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

### 6. Shareholders of the Company eligible to obtain reduction of tax

According to the requirements of the Notice in relation to the Income Tax Withheld and Paid for the Dividends Distributed by Residential Enterprises in the PRC to Overseas H Shares Non-residential Enterprises issued by the State Administration of Taxation 《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(Guo Shui Han [2008] No. 897), when dividends are delivered to overseas H shares non-residential enterprises by residential enterprises of the PRC, the withholding and payment of income tax at a rate of 10% was consistently implemented. After the shareholders of non-residential enterprises obtain the dividends, they can apply for the taxation agreement (arrangement) from the head of taxation authority by themselves or through proxy or persons in charge of the withholding duty, providing information that proves themselves to be in compliance with the regulations of the taxation agreement (arrangement) of being the beneficial owners. Upon the review and approval the taxation authority, the difference between the tax paid and the tax payable at the rate in accordance with the requirements of the taxation agreement (arrangement) shall be refunded.

Shareholders shall be aware that since 2011, for the “Notice in relation to Certain Problems of Policies of Income Tax” (Cai Shui Zi [1994] No. 20), the requirements of temporary free of charge of income tax granted to individual foreigners who obtains dividends and bonus from foreign business investment enterprises have become invalid.

In accordance with the letter headed “The Taxation Arrangement of Hong Kong Residents in Respect of the Distribution of Dividends from Enterprises in Mainland China” issued on 4 July 2011 by the Stock Exchange (attached with a reply letter written in Chinese sent from the State Administration of Taxation to the Inland Revenue Department dated 28 June 2011), overseas resident individual shareholders who hold the shares from domestic non-foreign investment enterprises issued in Hong Kong are eligible for relevant taxation preferences in accordance with the provisions under the taxation agreement entered into by the country of which they are a resident and the PRC and the taxation arrangement between mainland China and Hong Kong (Macau).

The Company will ultimately withhold and pay relevant tax in accordance with the abovementioned letter from the Stock Exchange and other relevant laws and regulations (including Notice of the State Administration of Taxation in relation to the Issuance of “Management Measures (Tentative) of Taxation Agreement for which Non-residents are eligible”) (Guo Shui Fa [2009] No. 124). The Company will confirm the residential identities of H Share individual Shareholders in accordance with the registered address recorded in the Company’s register of Shareholders at the date of registration of final dividends for the year ended 31 December 2013. The Company shall neither be responsible for nor assume any responsibility of the identities of tax payment or taxation treatment of individual H shareholders and any claims arisen from that there is no prompt confirmation or no accurate confirmation for the identities of tax payment or taxation treatment of individual H Shareholders or any disputes from arrangements.

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

## I. Changes in Shareholdings and remunerations

### (I) Changes in shareholdings held by directors, supervisors and senior management in office or resigned during the Reporting Period and their remunerations

Unit: Shares

Name	Position (Note)	Gender	Age	Date of appointment	Date of termination of appointment	Number of Shares held at the beginning of the Reporting Period	Number of Shares held at the end of the Reporting Period	Change in shares during the Reporting Period	Reasons for the change	Total remuneration payable by the Company during the Reporting Period (RMB) (before tax)	Remuneration received at the corporate shareholder during the Reporting Period
Yang Gen Lin	Chairman	M	62	June 2012	December 2014	0	0	0	Nil	—	—
Qian Yong Xiang	Executive Director, general manager	M	52	June 2012	June 2015	0	0	0	Nil	526,008	—
Zhang Yang	Non-executive Director	F	51	June 2012	June 2015	0	0	0	Nil	—	—
Chen Xiang Hui	Non-executive Director	M	52	June 2012	June 2015	0	0	0	Nil	—	—
Du Wen Yi	Non-executive Director	M	52	June 2012	June 2015	0	0	0	Nil	—	—
Cheng Chang Yung Tsung, Alice	Non-executive Director	F	82	June 2012	June 2015	0	0	0	Nil	239,094	—
Fang Hung, Kenneth	Non-executive Director	M	77	June 2012	June 2015	0	0	0	Nil	239,094	—
Zhang Er Zhen	Independent non-executive Director	M	62	June 2012	June 2015	0	0	0	Nil	75,000	—
Xu Chang Xin	Independent non-executive Director	M	52	June 2012	June 2015	0	0	0	Nil	75,000	—
Gao Bo	Independent non-executive Director	M	53	June 2012	June 2015	0	0	0	Nil	75,000	—
Chen Donghua	Independent non-executive Director	M	40	June 2012	June 2015	0	0	0	Nil	75,000	—
Chang Qing	Chairman of the Supervisory Committee	M	52	June 2012	June 2015	0	0	0	Nil	—	—
Sun Hong Ning	Supervisor	M	54	June 2012	June 2015	0	0	0	Nil	—	—
Hu Yu	Supervisor	F	40	June 2012	June 2015	0	0	0	Nil	—	—
Yan Shi Min	Supervisor	M	61	June 2012	June 2015	0	0	0	Nil	313,355	—
Shao Li	Supervisor	F	37	June 2012	June 2015	0	0	0	Nil	313,355	—
Zhao Jia Jun	Deputy general manager	M	48	November 2006	July 2014	0	0	0	Nil	243,720	—
Shang Hong	Deputy general manager	F	52	November 2013	November 2016	0	0	0	Nil	416,079	—
Tian Yafei	Deputy general manager	M	49	August 2012	August 2015	0	0	0	Nil	391,348	—
Yao Yongjia	Deputy general manager, Secretary to the Board and Company Secretary in Hong Kong	M	51	August 2012	August 2015	0	0	0	Nil	391,348	—
Li Jie	Deputy general manager	M	45	August 2014	August 2017	0	0	0	Nil	365,581	—
Wu Yi Yong	Secretary to the disciplinary committee of the Communist Party	M	60	August 2012	August 2015	0	0	0	Nil	333,388	—
Yu Lai Ying	Financial controller	F	43	March 2013	December 2015	0	0	0	Nil	364,199	—
Wang Hong Wei	Assistant to the general manager	M	52	March 2013	December 2015	0	0	0	Nil	333,388	—
Total										4,769,957	

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

### Notes:

1. During the Reporting Period, the Directors, Supervisors and members of senior management of the Company (including their spouse or children and their company or trust holding 30% or more of Shares) did not hold any Shares, Shares options and restricted Shares.
2. The Directors and members of senior management of the Company are not connected/related to one another.
3. Apart from the remuneration listed above, the Company has not paid any other amounts to its Directors and Supervisors. During the Reporting Period, no Director had any arrangement on the waiver of or the agreement to waive any remuneration. The remuneration of the senior management has included the emolument, performance bonus, pension premiums paid by the Company on their behalf and other benefits.

### Name

### Biographies for the recent five years

#### Yang Gen Lin

Chairman and general manager of Jiangsu Communications Holdings Company Limited; resigned on 11 July 2014.

#### Qian Yong Xiang

Executive Director and general manager, born in 1964, with a Master of Engineering degree and an Master of Business Administration. He taught at Southeast University from 1987 to 1992. He joined the Company in 1992 and has been head of the Planning Section, deputy manager and manager of the Investment and Securities Department and deputy general manager of the Company. Mr. Qian has long been involved in the transport industry and the industrial strategic studies, investment and financing management, project construction and operations management. He has extensive experience in corporate management and operation of listed companies. Mr. Qian has been an executive Director since 11 March 2009.

#### Zhang Yang

Non-executive Director, born in 1964, with a post-graduate degree. She commenced working in 1987. From 1988 to 1994, Ms. Zhang was an employee of Aerospace Corporation under the Ministry of Aerospace. From 1994 to 2007, she was the manager of the securities management division and the assistant to general manager of Huajian Transportation Economic Development Center, and she is now deputy general manager of Huajian Transportation Economic Development Center. She is also a director of Zhongyuan Expressway Company Limited and Zhejiang Expressway Company Limited, and vice chairman of Shenzhen Expressway Company Limited, Sichuan Expressway Company Limited and Jilin Expressway Company Limited. Ms. Zhang has extensive knowledge in the transportation and securities industries and is rich in management experience. She has been a non-executive Director since 28 November 2007.

#### Chen Xiang Hui

Non-executive Director, born in 1963, with a Bachelor degree of Engineering and an Master of Business Administration, post-graduate grade Senior Engineer. Mr. Chen has been involved in communication construction management and expressway operations management for a long time. Mr. Chen was deputy director of the Project Quality Supervisory Section of Jiangsu Transport Department, Director of Jiangsu Ninglian Ningtong Road Management Office and general manager of the Company. Mr. Chen is currently director and deputy general manager of Jiangsu Communications Holdings Company Limited. He is deputy general secretary of the Expressway Operations Management Association of China Highway and Transportation Society and a standing committee member of the Expressway Operations Committee of Jiangsu Highway and Transportation Society. He has been a non-executive Director since 9 April 2001.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Biographies for the recent five years
<b>Du Wen Yi</b>	Non-executive Director, born in 1963, with an undergraduate degree, senior economist. Mr. Du started working in the finance and accounting research office of Nanjing Communications School since 1983, and had been successively appointed as deputy director and director of the Planning and Finance Office of Jiangsu Communications Planning and Design Institute since 1987. He had been deputy head of the Finance and Auditing Section of Jiangsu Communications Holdings Company Limited since 2000, and had been director and successively deputy head and head of the Finance and Auditing Section of Jiangsu Communications Industry Group Co., Ltd. from 2001 to 2004. He had been deputy general manager of Jiangsu Expressway Company Limited since 2004, and became Head of the Finance Department of Communications Holdings in November 2007. Currently, Mr. Chen is the Chief Accountant of Jiangsu Expressway Company Limited. Mr. Du has been engaged in transportation management and financial management for a long time and is a senior expert with extensive transportation management and financial management experience. He has been a non-executive Director since 6 June 2008.
<b>Cheng Chang Yung Tsung, Alice</b>	Non-executive Director, born in 1932. She was honored the Gold Bauhinia Star by the government of the Hong Kong Special Administrative Region, and was a member of the Preparatory Committee for the Hong Kong Special Administrative Region, standing committee member of the National Committee of the Chinese People's Political Consultative Conference, an advisor to the Hong Kong & Macau Affairs Office and the Xinhua News Agency (Hong Kong Branch). She is also managing director of Daqing Oilfield Co. Ltd., president of Yung Shing Enterprise Co., senior advisor (China) to Telefonaktiebolaget LM Ericsson, director of Nanjing Ericsson Panda Communications Co., Ltd., director of Beijing SE Putian Mobile Communications Co., Ltd. and chairman of Shanghai Overseas Chinese Commercial Center Co., Ltd. Ms. Cheng has decades of experience in business development and investment. Ms. Cheng has been awarded the Commander Grand Cross of the Swedish Order of the Polar Star bestowed by His Swedish Majesty King Carl Gustav XVI of the Kingdom of Sweden, "Bai Yu Lan" Award by the Shanghai City Government · Honorary Citizen of Nanjing City, Honorary Citizen of Suzhou City and Honorary Citizen of Yan'an City of Shaanxi Province. She has been an independent non-executive director of the Company since 1997 and a non-executive Director since 20 October 2009.
<b>Fang Hung, Kenneth</b>	Non-executive Director, born in 1938, graduated from the Massachusetts Institute of Technology in the USA with a master degree in 1960s. He is chairman of Fang Brothers Investments Limited, Chairman of Yeebo (International Holdings) Limited which is listed on the Main Board of the Stock Exchange, independent non-executive director of USI Holdings Limited which is listed on the Main Board of the Stock Exchange. He also undertakes many other key positions in major industrial or commercial associations, including honorary chairman of the Textile Council of Hong Kong Limited and the Hong Kong Wollen & Synthetic Knitting Manufacturers' Association. Mr. Fang was an independent non-executive director of the Company from 25 May 2000 to 19 October 2009 and has been a non-executive Director of the Company since 20 October 2009.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Biographies for the recent five years
<b>Zhang Er Zhen</b>	Independent non-executive Director, born in 1953, a professor and an advisor for doctoral candidates. He was a lecturer at the Economics Department of Nanjing University from 1985 to 1987, an associate professor at the International Economics and Trade Department of Nanjing University from 1987 to 1993, a professor and deputy department head at the International Economics and Trade Department of Nanjing University from 1993 to 1995, the department head at the International Economics and Trade Department of Nanjing University from 1995 to 2007, and the Secretary of The Party Committee at Business School of Nanjing University from 2007 to 2011. He is currently the head of the International Economics Institute of Nanjing University. Professor Zhang is also a part-time professor at Northwest University and Xiamen University, and has been granted special government subsidies from the State Council since 1992. Professor Zhang has long been engaged in research in international economics and trade, and has devoted himself into research in urbanization and innovation of cities and enterprises. He is a senior professional with extensive experience in the area of economics. Mr. Zhang has been an independent non-executive Director of the Company since 19 June 2012.
<b>Xu Chang Xin</b>	Independent non-executive Director, born in 1963, Ph.D. in engineering, a professor in economics and advisor for doctoral candidates. He is currently deputy dean of the School of Business, director of the Research Center for Investment and Financing of Infrastructure and an advisor for doctoral candidates in Management Science and Engineering at Hohai University. He is also a standing committee member of the 9th and 10th Chinese People's Political Consultative Conference of Jiangsu Province; a member and deputy director of China National Democratic Construction Association, Jiangsu Province and a member of the Central Economic Committee of China National Democratic Construction Association. Meanwhile, he also serves as a member of the China Oceanic and Economic Society, vice-president of the Quantitative Economics and Management Science Society, Jiangsu Province; vice-president of the Statistics Society, Jiangsu Province; a standing member of the Finance Society, Jiangsu Province; a part-time advisor for doctoral candidates at Macau University of Science and Technology and an expert panelist for a number of projects. He has led over 50 provincial-level scientific research projects and issued over 100 papers, together with six published works. He has been an eighth-time winner of the ministry-level Awards (Third Class or above) for Advancement in Science and Technology. He was conferred the title of Young Outstanding Teacher of Jiangsu Province. Mr. Xu has been an independent non-executive Director since 20 October 2009.
<b>Gao Bo</b>	Independent non-executive Director, born in 1962, holds a doctor's degree, and is a professor at Economics School of Nanjing University, and an advisor for doctoral candidates. He is currently a research fellow at the Research Center for the Social and Economic Development of the Yangtse River Delta of Nanjing University, a key national research base in humanities and social sciences approved by the Ministry of Education; a standing member of the Global Chinese Real Estate Association; and the vice-president of Jiangsu Economics Association. He has published more than 10 books and has issued over 130 pieces of papers in professional academic periodicals. He has completed over 10 research projects including the National Natural Science Foundation, the National Social Sciences Foundation (key projects), major brainstorm projects for philosophy and social science research of Ministry of Education, and the Humanities and Social Sciences Research Planning Foundation of the Ministry of Education. He was the winner of various prizes for scientific research including the Second-Class Award for Excellent Achievement in Philosophy and Social Sciences of the People's Government of Jiangsu Province. Mr. Gao has been an independent non-executive Director since 20 October 2009.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Biographies for the recent five years
<b>Chen Dong Hua</b>	Independent non-executive Director, born in 1975, is a professor and advisor for doctoral candidates. He is currently a professor and advisor for doctoral candidates at the Department of Accounting of School of Business of Nanjing University. He is concurrently serving as a member of the Academic Board of School of Business of Nanjing University, deputy head of Institute of Accounting and Finance of Nanjing University, director of the Professor Committee of Department of Accounting, deputy president of Young Scholars Association of Nanjing University, and deputy secretary general of Jiangsu Province Youth Federation. Mr. Chen obtained the doctor's degree in accounting from Shanghai University of Finance and Economics in 2003 and has conducted postdoctoral research at Center for Corporate Governance of Hong Kong University of Science and Technology thereafter. From 2000 to 2005, Mr. Chen was Assistant Professor and Associate Professor at the Faculty of Accounting of Shanghai University of Finance and Economics. He has been a professor, advisor for doctoral candidates and assistant to the director at the Accounting Department of the School of Business of Nanjing University since 2005. Mr. Chen has long been engaged in research in the accounting discipline and has been practicing accounting work. He is a senior accounting and finance expert in financial theories and has extensive management experience. Mr. Chen has been an independent non-executive Director since 17 June 2009.
<b>Chang Qing</b>	Chairman of the Supervisory Committee, born in 1963, with university education and a Bachelor's degree. He has served as deputy director of the Communications Bureau of Changzhou City, Jiangsu Province, deputy secretary of the Communist Party Committee cum deputy director of the Port Administration Bureau of Changzhou City, Deputy Director of the Construction Bureau of Changzhou City, director of the Communications Bureau of Changzhou City and deputy secretary of the Communist Party Committee cum director of the Port Administration Bureau of Changzhou City. He was secretary-general of the Communist Party Committee of Changzhou City, Jiangsu Province. He is now serving as general manager of Jiangsu Communications Holdings Company Limited and deputy secretary of the Company's Communist Party Committee. Mr. Chang has long been engaged in management work and has extensive experience in economic and communications management. He has been a Supervisor since 18 March 2011.
<b>Sun Hong Ning</b>	Supervisor, born in 1961, with an Executive Master of Business Administration from China Europe International Business School in Shanghai. Mr. Sun had been deputy division head at Jiangsu State Secrecy Bureau since 1994. He was secretary of general office at the Jiangsu Provincial Party Committee in 1995, secretary of general office of the government of the Jiangsu Province in 2001; and director and deputy general manager of Jiangsu Communications Holdings Company Limited in 2003. Mr. Sun is also vice chairman of Suzhou Sujiahang Expressway Co., Ltd., director of Huatai Securities Co. Ltd. and director of Jinling Hotel Corporation. He has substantial experience in business and management. He has been a Supervisor since 20 October 2009.
<b>Hu Yu</b>	Supervisor, born in 1975, university graduate. She was an accountant of Beijing City Development Group Company Limited, and finance manager of Beijing Office of Shanghai Mitsubishi Elevator Co., Ltd. She served as an accountant of the Planning and Finance Department of Huajian Transportation Economic Development Center, manager of the Finance Department of China Merchants Group Limited, supervisor of Huabei Expressway Co., Ltd. and supervisor of Guangxi Wuzhou Communications Co., Ltd. She is currently a general manager of the Planning and Finance Department of Huajian Transportation Economic Development Center. Ms. Hu has long been engaged in financial management and has extensive experience in financial management and transport management. She has been a Supervisor since 17 June 2009.



## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Biographies for the recent five years
<b>Yan Shi Min</b>	Supervisor, born in 1954, university graduate, senior political worker. Mr. Yan worked for Jiangsu Canal Shipping Company (江蘇省運河航運公司) from 1976 to 1978, and was successively an officer, deputy head and head of the Publicity Division of Jiangsu Canal Company from 1981 to 1992. Since 1992, Mr. Yan had been successively deputy director and director at the Political Department of Jiangsu Port and Shipping Group Company. Since 1998, he had been successively deputy head of 312 Management Office of the Company, deputy director of Chinese Communist Party Committee Office and deputy director of Disciplinary Inspection Office, deputy director of the General Office of the Company, head of the Changzhou Management Office and currently vice chairman of the Company's labor union. Mr. Yan has been engaged in the transportation sector for a long time, possessing substantial theoretical knowledge and practical management experience. He has been a Supervisor since 24 March 2008.
<b>Shao Li</b>	Supervisor, born in 1978, with post-graduate diploma, economist. Ms. Shao started working in the Nanjing Branch of Ping An Life Insurance Company of China, Ltd. in 2003. Since 2004, Ms. Shao has been successively a section head and assistant to manager of the Human Resources Department of the Company, and is currently manager of the Human Resources Department of the Company. Ms. Shao has been engaged in the field of human resources management and possesses extensive experience in human resources management. She has been a Supervisor since 24 March 2008.
<b>Zhao Jia Jun</b>	Former deputy general manager, resigned as management of the Company in July 2014 due to other business engagement.
<b>Shang Hong</b>	Deputy general manager, born in 1963, university graduate and senior engineer. Ms. Shang taught in the Civil Engineering Department of Nanjing Jinling Vocational University from July 1985 to May 1993. She joined the Company in June 1993 and has held various positions including deputy head and head of the Planning Division of the Company; deputy manager and manager of the Investment Development Department of the Company and assistant to general manager. She is currently deputy general manager of the Company. Ms. Shang has been engaged in engineering management, investment analysis and project management for a long time.
<b>Tian Yafei</b>	Deputy general manager, born in 1966, university education. Mr. Tian joined the Company in September 1996 and has held various positions including manager of Yang Cheng Hu Service Area of Shanghai-Nanjing Expressway, assistant manager and manager of operation and Development Department. He became Assistant to General Manager since February 2010. Mr. Tian has been engaged in the construction projects of G312 and Shanghai-Nanjing Expressway since he started working and has long been engaged in the operation and management of expressways. He has extensive experience in operations management.
<b>Yao Yong Jia</b>	Deputy general manager and secretary to the Board, born in 1964, with a master degree, senior engineer. Mr. Yao joined the Company in August 1992. He has been section chief of the Jiangsu Provincial Communications Planning and Design Institute, the Jiangsu Expressways Command Office and the Securities Department, as well as Director of the Secretariat to the Board. Mr. Yao has professional experience and has been engaging in project management, investment analysis, financing and securities.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Biographies for the recent five years
Li Jie	Deputy general manager. born in 1970, with a bachelor degree, post-graduate grade senior engineer. Mr. Li joined the Company in August 1992. He has been deputy manager and manager of the Jiangsu Expressways Command Office, the Extension Project Command Office of Shanghai-Nanjing Expressway, and the Engineering and Technology Department of the Company. Ever since he started his career, Mr. Li has all the time been engaged in engineering management and operation management, with extensive professional experience.
Wu Yi Yong	Secretary to the disciplinary committee, born in August 1955, joined the Communist Party in August 1976, university graduate from Cadre Institute of Central Party College majoring in economic management. Mr. Wu joined Jiangsu Expressway Company Limited in December 2000. He was a Deputy head and head of management Office in Nanjing and head of Management Office in Ningzhen of the Company, member of the committee of Jiangsu Expressway Company Limited. He currently serves as a secretary to the disciplinary committee of the Communist Party of the Company with rich operation and management experience.
Yu Lan Ying	Financial controller, born in 1971, has master degree in economics with credentials as a senior accountant and a certified public accountant. Ms. Yu joined the Company in May 2008. Prior to joining the Company, she has been the accountant of Nanjing Runtai Industrial Trading Company (南京潤泰實業貿易公司), Jiangsu United Trust and Investment Company (江蘇聯合信託投資公司) and Jiangsu Communications Holdings Company Limited. She has held various positions in the Company including deputy manager and manager of the Finance and Accounting Department, and has been the vice financial controller since 2008. Ms. Yu has been engaged in the financial management since she started working and has extensive experience in financial management.
Wang Hong Wei	Assistant to the general manager, born in July 1963, university graduate, post-graduate grade senior engineer. Mr. Wang currently serves as the assistant to general manager and manager of the Operation Management Department of Jiangsu Expressway Company Limited. Since 1996, he was a head of the Engineering Department of Jiangsu Expressway Company Limited, deputy manager and manager of the Operation Management Department. Since joining the Company, Mr. Wang has been engaged in expressway engineering and operation management with rich and professional experience in the operation and management of expressway engineering.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

### II. Positions of current and resigned Directors, Supervisors and members of senior management of the Company during the Reporting Period

#### (I) Positions in entities as Shareholders

Applicable  Not applicable

Name of employee	Name of entities concerned	Position in the entities concerned	Date of appointment	Date of termination of appointment
Yang Gen Lin	Jiangsu Communications Holdings Company Limited	Chairman	1 August 2008	11 July 2014
Chang Qing	Jiangsu Communications Holdings Company Limited	General manager	11 July 2014	Still in office
Sun Hong Ning	Jiangsu Communications Holdings Company Limited	Deputy general manager	1 May 2003	Still in office
Chen Xiang Hui	Jiangsu Communications Holdings Company Limited	Deputy general manager	1 May 2003	Still in office
Du Wen Yi	Jiangsu Communications Holdings Company Limited	Chief accountant	1 November 2007	Still in office
Zhang Yang	China Merchants Huajian Highway Investment Co.	Deputy general manager	30 March 2007	Still in office
Hu Yu	China Merchants Huajian Highway Investment Co.	General manager of finance department	3 May 2010	Still in office

#### (II) Positions in other entities

Applicable  Not applicable

Name of employee	Name of other entities	Position in other entities	Date of appointment	Date of termination of appointment
Zhang Yang	Shenzhen Expressway Co.	Vice chairman	1 March 2001	Still in office
	Henan Zhongyuan Expressway Co.	Director	1 November 2009	Still in office
	Jilin Expressway Co.	Vice chairman	1 March 2010	Still in office
Sun Hong Ning	Jinling Hotel Corporation	Director	28 December 2002	Still in office
	Huatai Securities Co., Ltd.	Director	6 December 2007	Still in office
Cheng Chang Yung Tsung, Alice	Daqing Oilfield Co., Ltd.	Managing director	22 November 1974	Still in office
	Nanjing Ericsson Panda Communications Co., Ltd.,	Director	23 January 2002	Still in office
	Yung Shing Enterprise Co.	President	1 June 1979	Still in office
	Shanghai Overseas Chinese Commercial Center Co., Ltd.	Chairman	1 December 1995	Still in office
Fang Hung, Kenneth	Fang Brothers Investments Limited	Chairman	1 January 1990	Still in office
	Yeebo (International Holdings) Limited	Chairman	1 September 1996	Still in office
	USI Holdings Limited	Independent non-executive director	1 August 1997	Still in office
Zhang Er Zhen	Jiangsu Yue Da Investment Company Limited	Independent director	3 July 2012	2 July 2015
Gao Bo	Sanxiang Co., Ltd.	Independent director	5 January 2012	4 January 2015
Chen Dong Hua	Jiangsu Dewei Advanced Materials Co., Ltd.	Independent director	20 August 2012	19 August 2015
	Nanjing Sciyon Automation Group Co., Ltd.	Independent director	28 February 2014	27 February 2017
Hu Yu	Huabei Expressway Co., Ltd.	Supervisor	24 February 2014	23 February 2017

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

### III. Remunerations of Directors, Supervisors and members of senior management of the Company

Decision-making procedures for remunerations of Directors, Supervisors and members of senior management of the Company	The Remuneration and Appraisal Committee has drafted a remuneration package on behalf of the Board for non-executive Directors and independent Directors, setting benchmarks pursuant to the relevant rules of the domestic and overseas securities regulators taking into account the average salary levels in different markets and the actual circumstances of the Company. The committee proposed the remuneration package to the Board and the package was eventually considered and approved at the general meeting of the Company. The Company enters into an agreement with a Director who receives remuneration from the Company, under which the remuneration is paid annually.
Basis on the determination of remunerations of Directors, Supervisors and members of senior management of the Company	Two non-executive Directors and four independent non-executive Directors engaged by the Company received Directors' emoluments from the Company. Their salary levels were set with reference to the average salary levels in Hong Kong and the PRC.
Remunerations payable to Directors, Supervisors and members of senior management of the Company	<ol style="list-style-type: none"><li>1. The annual emolument paid to each of the two non-executive Directors in Hong Kong by the Company in 2014 amounted to HK\$300,000 (equivalent to approximately RMB239,094). The annual emolument for each of the four independent non-executive Directors in the PRC was RMB60,000 during the first half of 2014. After approval at the annual general meeting of 2013, the remuneration of the four independent non-executive Directors was adjusted to RMB90,000 per annum during the second half of 2014.</li><li>2. Four non-executive Directors and three Supervisors assigned by the shareholders' entities received remuneration therefrom. The Company no longer determined or paid emoluments to such Directors or Supervisors separately.</li><li>3. One executive Director and two Supervisors from staff representatives who took up management duties in the Company received management remunerations in line with the respective management positions. The Company no longer determined or paid emoluments to such Directors or Supervisors separately.</li><li>4. The senior management of the Company includes various deputy general managers, assistants to general managers and the financial controller. They received their management remunerations in line with their respective positions. Their total remuneration comprised three parts namely salary, performance bonus, as well as Company's contribution to their pension scheme and other benefits.</li></ol>
Total remunerations actually received by all Directors, Supervisors and member of senior management of the Company at the end of the Reporting Period	RMB4,769,957

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

### IV. Change of Directors, Supervisors and senior management of the Company

Name	Position	Change	Reasons for change
Yang Gen Lin	President	Resigned	Other business engagement
Zhao Jia Jun	Deputy general manager	Resigned	Other business engagement
Li Jie	Deputy general manager	Appointed	Appointed by the Board
Wu Yi Yong	Secretary to the disciplinary committee of the Communist Party	Appointed	Appointed by the management office
Wang Hong Wei	Assistant to general manager	Appointed	Appointed by the Board

### V. Other Information on Directors, Supervisors and members of senior management of the Company

#### 1. Directors' and Supervisors' contracts

Apart from the service contract entered into between the Company and the executive Director, each of the Directors and Supervisors has entered into an appointment letter with the Company. The content of these contracts was primarily the same in all material respects. The term of these contracts commenced from the date of the 2012 annual general meeting or the appointment date (whichever is the latter) until the date of the 2014 annual general meeting. The Company, the Directors or the Supervisors can terminate the contracts by giving not less than three months prior notice in writing to the other party. Save as the above-mentioned, none of the Directors or Supervisors has entered into or has proposed to enter into any service contracts with the Company expiring or determinable by the employer within one year with payment of compensation (other than statutory compensation). The Company was not required to pay compensation to any Director for the reason that the Directors, whose service contracts remained unexpired, intended to be re-elected in the next annual general meeting.

#### 2. Interests of Directors and Supervisors in contracts

The Company was not aware of any material contracts in which any Directors or Supervisors, either directly or indirectly, held interests or had significant conflict of interests.

#### 3. Representation and undertaking of Directors, Supervisors and members of senior management of the Company

During the Reporting Period, the Directors, Supervisors and senior management of the Company have signed the letter of representation and undertaking in accordance with the requirements of Listing Rules of the SSE.

#### 4. Loan or loan guarantee granted to Directors, Supervisors and members of senior management of the Company

During the Reporting Period, the Company did not directly or indirectly grant any loan or loan guarantee to the Directors, Supervisors, members of senior management or their respective related/connected parties.

#### 5. Model code for securities transactions by Directors

Having made enquiries from all the Directors and Supervisors, the Directors of the Company have complied with the provisions on securities transactions under the "Model Code for Securities Transactions by Directors of Listed Issuers" under Appendix 10 of the Hong Kong Listing Rules (the "Model Code") during the Reporting Period. The Company has also formulated the "Model Code for Securities Transactions by Directors, Supervisors, Senior Management and Relevant Employees" to ensure the relevant personnel's compliance with the Model Code in carrying out securities transactions.

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

### 6. Dealings in securities by Directors, Supervisors and members of senior management of the Company

During the Reporting Period, there was no record showing that any Directors, Supervisors or senior management or any of their respective related/connected parties held any interests in the registered capital of the Company and its subsidiaries or associates being subject to disclosure under the SFO or the Model Code.

During the Reporting Period, none of the Directors, Supervisors, members of senior management or any of their respective related/connected parties (including their spouses and children under 18 years of age) were granted any interests under any arrangement to subscribe for the equity or debenture of the Company, its subsidiaries or its associates.

### 7. Training of Directors, Supervisors and members of senior management of the Company

To promote the concept of governance of Directors, Supervisors and members of senior management of the Company, the secretary to the Board paid continuing attention to the governance requirements of securities regulatory authorities and timely relayed such requirements to the Directors, Supervisors and members of senior management of the Company. Meanwhile, the secretary to the Board also arranged the relevant Directors, Supervisors and members of senior management of the Company to participate in seminars and training programmes, including telephone video conferences held by the CSRC and specific training programmes held by the local securities regulatory bureau, so as to facilitate their continuous professional development.

During the Reporting Period, certain senior management of the Company participated in training courses organized for members of senior management by Jiangsu Securities Regulatory Bureau. Secretary to the Board participated in relevant regulatory specific training programmes and completed training hours required by The Hong Kong Institute of Chartered Secretaries.

## VII. Staff of the parent company and major subsidiaries of the Company

### (I) Staff

Number of on-the-job staff in the Company	3,722
Number of on-the-job staff in major subsidiaries of the Company	794
Total number of on-the-job staff	4,516
Number of former and retired staff for whom the Company and the major subsidiaries need to bear certain expenses	211

#### COMPOSITION OF FUNCTIONAL COMPETENCY

Type of functional competency	Number of professionals
Production staff	4,008
Finance staff	98
Administrative staff	410
Total	4,516

#### EDUCATION LEVEL

Type of education level	Number (person)
University or above	643
Post-secondary school	1,126
Secondary/vocational schools or below	2,747
Total	4,516

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

### (II) Policy on staff remuneration and performance appraisal system

The Company adopts a position-based remuneration system with performance being a motivating factor. Salaries are determined in reflection of the comprehensive performance appraisal results of each staff, and with reference to the principle of “salary by position, award by performance”, for the sake of the fairness and competitiveness of the remuneration system. In 2014, the Company further strengthened the reform of such system and commissioned a professional institution to assess and advise on the design of the Company’s wage band system and competency benchmark for positions, with a view to better motivating staff and widening the career paths of employees. In 2015, the Company will carry out the wage band system at pilot management offices on a trial basis in order to lay a foundation for the full implementation of the same.

The Company enforced a stringent performance appraisal system. Based on the Company’s assessment and management measures and implementation, the Company conducted regular appraisals on the working performance of staff. It rewarded those who passed the appraisals with reference to the performance management targets while it imposed corresponding penalties on and gave warning to those who failed to achieve the appraisal standards. The aforesaid is achieved to raise staff’s sense of responsibility towards their respective duties and to ensure the realization of respective operational and managerial objectives. Every year, the Company selects a group of outstanding staff, exemplary toll collection staff and exemplary service staff. Spiritual and material rewards are granted to commend such staff for their excellence and to motivate the work passion of other staff. In 2014, the Company further improved the performance assessment and incentive mechanism for front-line workers. Through the rating of “star” toll collectors and the certification of maintenance and hindrance clearance workers, front-line workers’ sense of responsibility and work enthusiasm were significantly boosted.

In accordance with relevant requirements under Labour Law (《勞動法》) and Employment Contract Law (《勞動合同法》), as at 31 December 2014, the Company had paid in full and on time the social insurance, including endowment insurance, medical insurance, unemployment insurance, employment injury insurance and maternity insurance for employees. In the meantime, the Company also subscribed other types of insurance for employees such as supplemental medical insurance and accidental injury insurance.

### (III) Staff education, training and career development

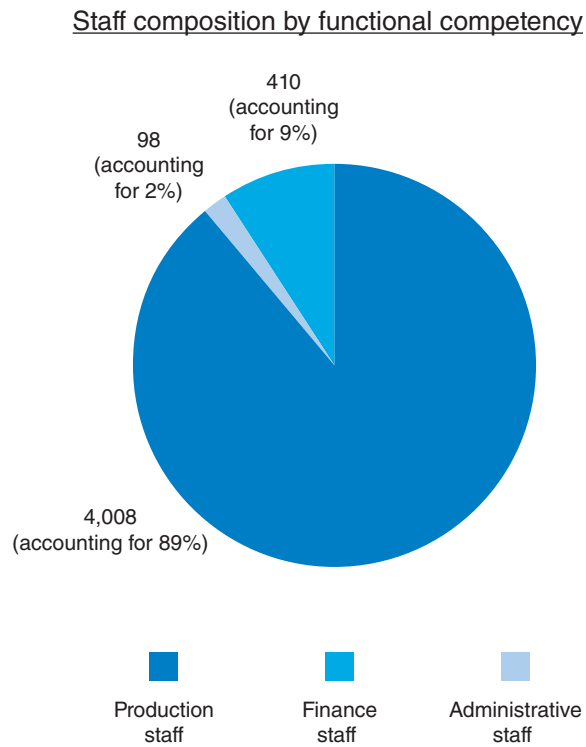
Staff and talents are the foundation of corporate development. By strengthening staff education and training, the Company cultivates a corporate culture of team cooperation and continuing learning, pursuant to which employees are encouraged to promote their own work capabilities and competitiveness in realization of the added value on human resources. The Company devises training programmes based on the Company’s annual work plans and human resources development needs, so that training schemes are in line with the Company’s operating status and management needs, while conclusions and reviews will be made at the end of the year.

In 2014, the Company organized different levels of training that encompassed different professional skills, such as those for internal trainers, for the mid-level management on the improvement of integrated skills, for back-up managerial personnel, for safety management personnel and group leaders on safety certificates, for members and cadre of the Communist Party on integrity and promotion of corporate culture, etc.. In particular, the certificate training for psychological observers and psychological consultants was launched and achieved satisfactory performance. These trainings were significantly conducive to the enhancement of the professionalism of managerial staff and the adaptability of transferred employees to their new positions. Total expenses incurred for these training programs throughout the Reporting Period amounted to approximately RMB2,872,000 (2013: RMB2,897,000), covering 7,800 staff of various levels, from junior front-line staff to senior management members.

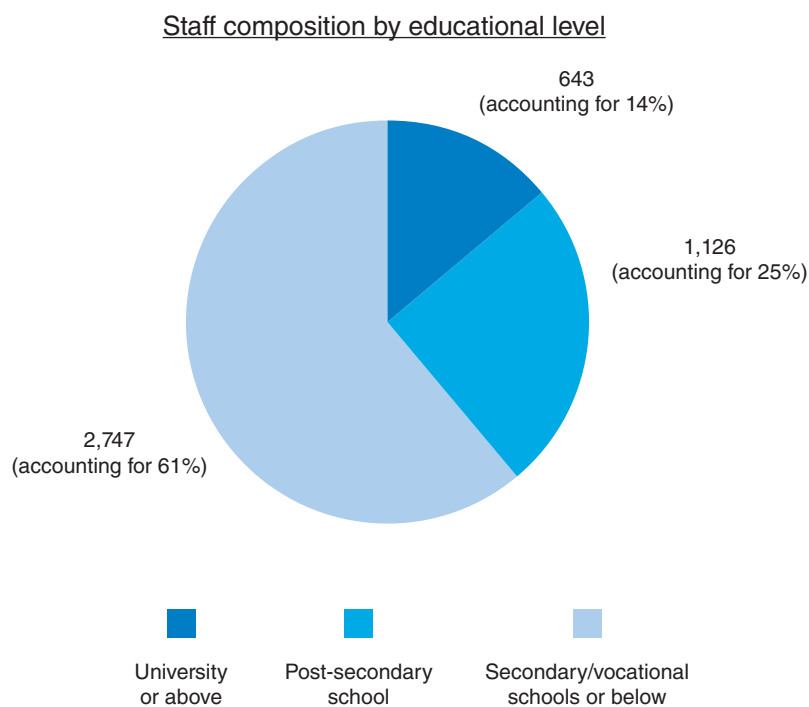
Meanwhile, the Company continued to create more positions for which employees could compete. Setting aside the specific requirements on educational and professional qualifications for certain positions, the recruitment exercise was open to all staff and served as a platform on which qualified ordinary workers could make application. This internal recruitment was carried out by way of open competition, and was appreciated by the staff.

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

## (IV) Composition by functional competency



## (V) Composition by educational level





# CORPORATE GOVERNANCE

## I. Corporate governance of the Company

### 1. Progress on governance during the year

Sound corporate governance is the cornerstone for a healthy and stable development of an enterprise, which helps the enterprise establish a rational equity structure, strengthen the internal control system, lower operating costs, enhance core competitiveness and improve operating results, and accordingly realize corporate sustainable development. The Company has been putting effort in continuous improvement on the framework of governance, development of a set of structured operational procedures, and constant reinforcement of the effectiveness of governance.

The Company is listed on both the SSE and the Stock Exchange, and should therefore be subject to different regulatory requirements in the market in terms of the practice on corporate governance. During the Reporting Period, corporate governance of the Company mainly focused on the enhanced adaptability to the regulation transformation, the increased awareness on standardized operation, the increased emphasis on the implementation of the latest regulatory requirements, and strict implementation of various existing governance systems. By continuously optimizing the internal responsibility mechanism, the Company ensured the appropriate execution of the governance systems, which could further enhance the self-regulatory capability of the Company. With improvement in self-investigation of key regulatory areas such as insider dealings, misappropriation of capital and connected/related transactions, the Company ensured that necessary statutory approval procedures were performed on all material matters in order to strictly control different risks of violation and further enhanced the quality of standardized operation of the Company. Meanwhile, the Company makes ongoing and timely improvements to its governance system and operational process according to the work plans of the regulatory authorities as well as the latest rules and regulations. It reviews its operation and management practices from time to time, adheres to the corporate values of integrity and diligence, and endeavors to improve its governance structure on a continuous basis with the establishment sound operational rules and enhanced quality of corporate governance, this is done to allow the Company to enter into a favourable cycle of continuing self-development that it has put itself on a track of continuous self-improvement.

During the Reporting Period, the Company created an internal environment in favour of value management through optimizing the corporate governance structure, continuously optimized the corporate governance structure formed by shareholders, Directors, the supervisory committee and management of the Company, and established all-dimensional governance rules based on its articles of association, including overall policies, principles and the scope of work in relation to corporate governance, legal operation and code of conduct to define the duties, authorization and code of conduct of all parties to facilitate the performance of their own duties, the coordination with one another in the check and balance of and consistent improvement on the level of corporate governance and decision-making efficiency. During the Reporting Period, the Company had made certain amendments to the Rules of Procedures of the Nomination Committee in accordance with the requirements of the Stock Exchange, further optimizing the rational decision-making and effective operation of the Board and achieving a high standard of corporate governance.

In addition, the Company continuously improved its level of governance by way of understanding the advanced ideas and innovative practices in respect of governance of other listed companies through horizontal comparison, seeking areas that the Company needs to improve and enhance, as well as learning from others' strength to address its own weakness for the sake of continuous improvement.

With respect to the management of inside information, the Company continued to increase the awareness of legal compliance of the Directors, supervisors and members of senior management of the Company, and resolutely put an end to the trading in the Shares with the use of inside information. The Company has strictly executed the "Model Code for Securities Transactions by Directors, Supervisors, Senior Management and Relevant Employees", the "Management System Governing Personnel Having Access to Inside Information" and the "Management System Governing Users Having Access to External Information" to regulate the behaviours of relevant insiders in dealing in the Shares and prevent them from abusing the right to information, disclosing inside information or conducting insider trading to safeguard the interests of the Company and the principle of fairness on information disclosure. The Company has never found itself in situations of abnormal share price fluctuations or insider trading as a result of information leakage.

## CORPORATE GOVERNANCE

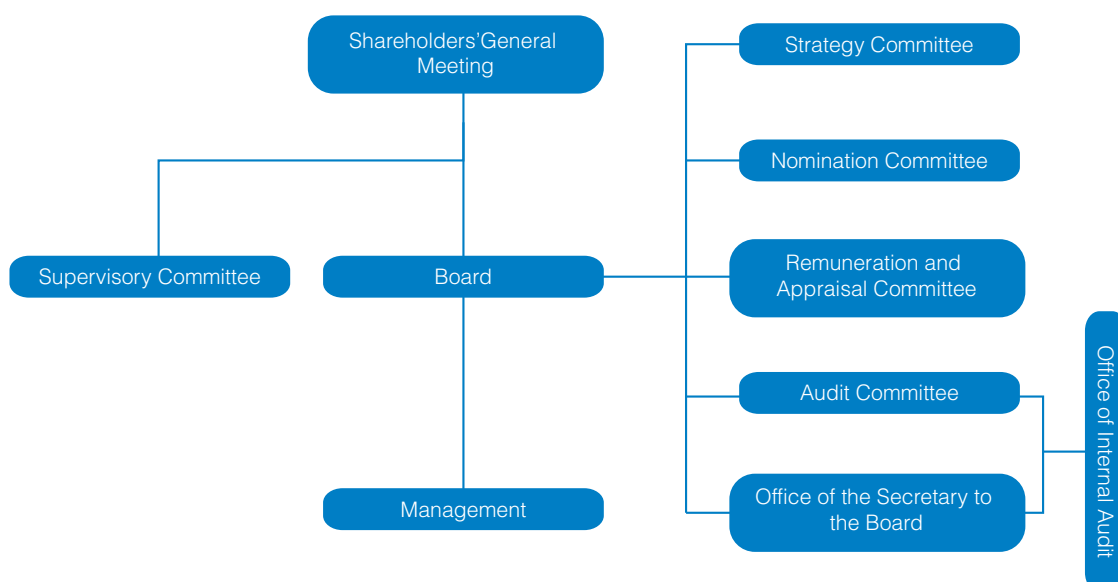
Before preparing regular reports, the Company required all its employees with access to the Company's information to sign an insider registration form, and required all external persons with access to the Company's information to sign an external insider registration form to ensure that the insiders with access to undisclosed information acknowledged their duty of confidentiality in accordance with the regulatory requirements complied with the Company's own procedural requirements. Meanwhile, during the Reporting Period, the Company had substantial acquisition of projects. The Company strictly complied with the regulatory requirements and internal system and required each of such internal and external insiders of the Company to sign a confidentiality agreement and registration form before the commencement of acquisitions. In so doing, we could effectively prevent insider dealings and abnormal fluctuation in stock price of the Company as a result of the leakage of information.

During the Reporting Period, the actual situation of the Company's corporate governance did not deviate significantly from the requirements of the "Code of Corporate Governance for Listed Companies" of the CSRC ("PRC Corporate Governance Code"), and the Company fully adopted all the provisions of the "Corporate Governance Code" set out in Appendix 14 to the Hong Kong Listing Rules ("HK Corporate Governance Code"), and met the requirements of the recommended best practices thereof in certain aspects. None of the Company, the Board, the Supervisory Committee and the Directors, the supervisors and the senior management members of the Company was subject to administrative penalty, criticisms through the circulation of a public notice or other public reprimand by the regulatory authorities.

In 2014, the Company won the award of "Gold Bull Price" from China Securities Journal, "Best Corporate Governance Disclosure Awards" from Hong Kong Management Association (HKMA) and Titanium Award for "The Asset's Triple A Corporate Awards" from The Asset. These awards adequately demonstrated the Company's efforts in corporate governance, information disclosure and relationship with investors.

## II. Corporate governance structure and operation overview

### 1. Corporate governance structure and rules



## CORPORATE GOVERNANCE

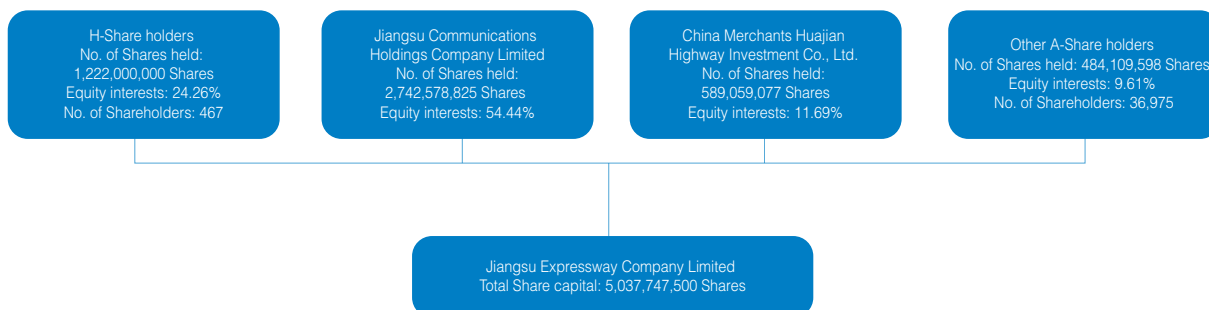
The Company is listed both on the SSE and the Stock Exchange. In addition to the compliance with applicable laws and regulations, the Company is also required to comply with the requirements of the PRC Corporate Governance Code, the Hong Kong Corporate Governance Code and the respective requirements under the Listing Rules of SSE and the Hong Kong Listing Rules on corporate governance practices. Meanwhile, the Company has formulated various governance systems, including “Rules of Procedure for General Meetings”, “Rules of Procedure for the Board of Directors”, “Rules of Procedure for the Supervisory Committee”, “Work Rules of Specialized Committees”, “Rules of Reference to Independent Directors”, “Rules of Reference to General Manager”, the “Model Code for Securities Transactions by Directors, Supervisors, Senior Management and Relevant Employees”, “Administrative Measures for the Disclosure of Information”, “Work System on Investor Relations Management”, and so forth. Each of the abovementioned systems was strictly followed in order to enhance the level of the Company’s corporate governance.

During the Reporting Period, there were no material changes on the constitutional documents of the Company.

### 2. Shareholders and general meetings

The Company treats all Shareholders equally and ensures that all Shareholders have the right to be informed of, and to make decisions on, material matters relating to the Company. The Company ensures that all Shareholders, in particular the minority Shareholders, have the right to speak, are treated equally, and may fully exercise their rights. The notice, authorization and deliberation of general meetings complied with the relevant procedures.

#### (1) Substantial Shareholders



Jiangsu Communications Holdings Company Limited and China Merchants Huajian Highway Investment Co., Ltd. are substantial Shareholders of the Company, holding approximately 54.44% and 11.69% of the Shares, respectively. These two Shareholders have not bypassed the general meetings to intervene directly or indirectly the decision-making process and the operations of the Company.

## CORPORATE GOVERNANCE

### (2) Independence from the Controlling Shareholder

Based on the principle of “distinctive ownership, unequivocal delegation of authority and segregation of ownership and control”, the Company and Jiangsu Communications Holdings Company Limited, the Controlling Shareholder, are independent of each other in operations, assets, personnel, organization and finance. The relationship between the Company and the Controlling Shareholder is defined as purely in relation to ownership. The aforesaid two entities maintain separate scopes of operation and do not relate to each other as upstream or downstream companies. Whilst the respective businesses of the Company and the Controlling Shareholder to some extent which may objectively give rise to lateral competitions between them, there is no noticeable impact on the usual business operations of the Company. The Company’s assets are strictly separated from those of the Controlling Shareholder. The Company possesses full ownership over its operating assets and operates the same with total independence. No employees are holding concurrent positions in both companies. The Company possesses the autonomy of appointment, removal and decision-making regarding labour, personnel and remuneration, while the Controlling Shareholder’s nominations of directorship and supervisorship candidates to the Company are conducted under lawful procedures. There is no question of one team operating in two companies. Offices and business places of the Company and the Controlling Shareholder are physically separated. The Company maintains its own financial department with separate accounts and makes its financial decisions independently. The Company’s capital application is free from any interference of the Controlling Shareholder.

The Controlling Shareholder exercises its power as a capital contributor in strict accordance with laws, attends general meetings of the Company according to legal procedures and exercises its voting right thereat based on its shareholding. At the Board, the Controlling Shareholder exercises its voting right based on the actual number of Directors and has never overridden any procedures to command the Board.

### (3) Shareholders’ general meetings

The Shareholders’ general meetings are the highest authority of the Company which make important decisions and lawfully exercise duties and power. The Company maintains the “Rules of Procedure for General Meetings” which has been effectively implemented. The general meeting is with well defined powers and responsibilities, and operates in compliance with prescribed procedures. The convening and holding procedures of every general meeting are in compliance with relevant rules, and the proposal and deliberation of resolutions thereat are in compliance with the statutory procedures. The annual general meeting and extraordinary general meeting provide a direct communication channel for the Board and the Shareholders. Therefore, the Company attaches great importance to the Shareholders’ general meeting, and require the attendance therein by the Directors and management personnel to the greatest extent. Meanwhile, it also arranges representatives of independent Directors, chairmen of or representatives appointed by the Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee to attend the annual general meeting and respond to questions from the Shareholders. At the Shareholders’ general meeting, all Shareholders have the right to raise suggestions and queries to the attending Directors/Supervisors and senior management personnel as to the business activities and development strategies of the Group. Except for trade secrets which shall not be made public, the Directors, supervisors and senior management personnel shall give illustrations and explanations on the Shareholders’ suggestions and queries.

The Company encourages all Shareholders to attend the Shareholders’ general meeting. Notice of the meeting is issued at least 45 days before the meeting takes place. The relevant information about the resolutions to be considered will be posted on websites or mailed to Shareholders in the form of circulars in accordance with the regulatory requirements of the relevant stock exchange, for the benefit of the decision-making of Shareholders. Information such as the procedures for Shareholder to attend the meeting in person or by appointing a proxy as well as the communication methods for the acceptance of Shareholders’ enquiries is disclosed by the Company in detail in the notice of Shareholders’ general meeting. Shareholder who is unable to attend the Shareholders’ general meeting in person may rely on such information for his/her decision-making and appoint a proxy to attend the Shareholders’ general meeting and vote thereat.

## CORPORATE GOVERNANCE

The Shareholders' general meeting is witnessed by the lawyer delegated by the legal counsel to the Company, who will issue a legal opinion. The representative appointed by the accounting firm and Shareholders' representatives also act as scrutineers to monitor the statistics of votes and to ensure the legality, fairness and transparency of the convention procedures.

Information on the general meetings convened by the Company during the year is set out below, and details of the resolutions of such general meetings are set out in the announcements of resolutions of such general meetings published on the websites of the SSE ([www.sse.com.cn](http://www.sse.com.cn)), the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.jsexpressway.com](http://www.jsexpressway.com)).

Details of Shareholders' general meeting convened during the Reporting Period is as follows:

Session of the meeting	Date of meeting	Name of the resolutions	Results	The enquiry index at designated websites where the resolutions were published	Disclosure date of the published resolutions
2013 Annual General Meeting	6 June 2014	<ul style="list-style-type: none"> <li>— Consideration and approval of the report of the Directors, the report of the Supervisory Committee, the financial report and the auditors' report of the Company for the year 2013</li> <li>— Consideration and approval of the profit distribution scheme of the Company in respect of the final dividend for the year 2013</li> <li>— Appointment of the Company's auditors and the auditors of internal control for the year</li> <li>— Consideration and approval of the issue of the short-term commercial notes of not more than RMB2,000,000,000</li> <li>— Consideration and approval of the adjustment on remuneration of independent Directors from RMB60,000 (after tax) to RMB90,000 (after tax)</li> </ul>	All resolutions were passed	<a href="http://www.sse.com.cn">www.sse.com.cn</a> <a href="http://www.hkexnews.com">www.hkexnews.com</a> <a href="http://www.jsexpressway.com">www.jsexpressway.com</a>	7 June 2014

### 3. Directors and the Board

#### (1) Members and operation of the Board

On 19 June 2012, the election of the new session of the Board was held at the annual general meeting of the Company to form the seventh session of the Board which comprised 11 members, of whom one was an executive Director and 10 were non-executive Directors with terms ending on the date of the 2014 annual general meeting of the Company. The nomination and appointment of Directors were in strict compliance with procedures and the cumulative voting system was adopted for the voting procedures of Directors.

Among the members of the Board, there was one executive Director who also serves as the general manager of the Company. Four of the non-executive Directors were nominated by Shareholders, and six of them were externally engaged by the Company, including four independent non-executive Directors and two prominent figures in Hong Kong. This ensures adequate independence of the Board. On 30 December 2014, Mr. Yang Gen Lin, Chairman, tendered his resignation due to other business engagements, and the Board approved Mr. Qian Yong Xiang, the executive Director of the Company, to act on behalf of the Chairman. The Company has already disclosed the information in accordance with regulatory requirements.

## CORPORATE GOVERNANCE

Members of this session of the Board respectively have various backgrounds and professional experience in highway industry, infrastructure, investment, financial accounting, finance and securities, economic management, business management, real estate and other areas, and two of them possess professional accounting qualifications and financial management expertise as required by the regulatory authorities. The diversity of the Board members in experience, skills, judgment and other aspects will help the Board make more prudent and considerate decisions. The composition, members and operational procedures of the Board are set out in section headed “Corporate Governance Code” in this chapter.

In 2014, the Board held six meetings, among which five were on-site meetings and one was conducted by way of telecommunication. Through the holding of regular or extraordinary meetings and the signing of Board resolutions or authorizations, the Board discussed and made decisions as to the operating and financial performance, financing plans, investment projects, connected/related transactions and governance structure of the Group. This ensures the realization of the Company’s best interests in its operation, management and development.

Directors’ attendance in Board meetings and general meetings for the year 2014

Name of Director	Independent Non-executive Directors	Required attendance at Board meetings for 2014	Attendance in Board meetings				Failure to attend meetings in person for two consecutive times	Attendance in general meetings
			Attended in person	Attended by telecommunication	Attendance by proxy	Absences		
Yang Gen Lin	No	6	5	1	0	0	No	1
Qian Yong Xiang	No	6	5	1	0	0	No	1
Zhang Yang	No	6	5	1	0	0	No	1
Cheng Xianghui	No	6	5	1	0	0	No	1
Du Wen Yi	No	6	5	1	0	0	No	1
Cheng Chang Yung Tsung, Alice	No	6	2	1	3	0	No	1
Fang Hung, Kenneth	No	6	5	1	0	0	No	1
Zhang Er Zhen	Yes	6	5	1	0	0	No	1
Xu Chang Xin	Yes	6	5	1	0	0	No	1
Gao Bo	Yes	6	5	1	0	0	No	1
Chen Dong Hua	Yes	6	3	1	1	1	No	1

Number of Board meetings convened during 2014	6
Number of on-site meetings	5
Number of meetings convened by way of telecommunication	1
Number of on-site meetings convened with telecommunication	6

## CORPORATE GOVERNANCE

### (2) Independent non-executive Directors

Zhang Er Zhen, Xu Chang Xin, Gao Bo and Chen Dong Hua were appointed as independent non-executive Directors at the seventh session of the Board, accounting for more than one-third of the members of the Board. The four independent non-executive Directors, currently serving at renowned universities in the PRC, are senior experts in the fields of infrastructural investment and financing management, real estate studies, financial accounting and economic trade management and are well-versed with academic theories and management experience. Two independent non-executive Directors are with accounting qualifications and finance expertise as required by the regulatory authorities. Independent non-executive Directors play major roles in various specialized committees of the Board. The independent non-executive Directors constitute a majority of the Audit Committee, the Nomination Committee, and the Remuneration and Appraisal Committee, and an independent non-executive Director holds chairmanship at each of these committees. The independent non-executive Directors have further enhanced their independence and check-and-balance functions in the Board, played a good monitoring and balancing role in safeguarding the interests of the Company and the Shareholders as a whole, aggressively facilitated the Company to step up with improved corporate governance and risk management standards on an ongoing basis, and also fully leveraged their expertise by providing professional guidance on the development and management of the Company.

Each of the independent non-executive Directors have submitted a statement in respect of their independence upon nomination. In addition, before the relevant Board meeting was convened to consider on the annual results, the Company had received confirmation letters in writing from each of the independent non-executive Directors on their independence, by virtue of which the Company could state the view regarding the relevant independent non-executive Directors' due compliance, with the relevant guidelines under Rule 3.13 of the Hong Kong Listing Rules regarding the independence requirements.

The independent non-executive Directors of the Company have been able to attend Board meetings and specialized committee meetings in a prudent, responsible, active and conscientious manner in compliance with the relevant laws, regulations and the "Rules of Reference to Independent Directors", and to give their professional opinions and exercise independent judgment on the decision-making for significant matters discussed with their professional experience and expertise. During the year, through their participation in the Board and the specialized committees, the independent Directors have examined substantial matters such as the Company's investment and financing decisions, the conduct and annual review of related/connected transactions, financial auditing and internal control, and have held meetings with external auditors to discuss the work in respect of the annual audit and the review of the interim financial report in accordance with "System for the Annual Report Work of Independent Directors", thereby carrying out a good monitoring and balancing role in the interests of the Company and the Shareholders as a whole. Meanwhile, the independent non-executive Directors have also summarized their yearly work in a report for submission to the Shareholders' general meeting for consideration.

During the Reporting Period, the independent non-executive Directors of the Company had expressed no disagreement on all matters regarding the Company, and there were no instances where the independent non-executive Directors proposed to hold a Board meeting or Shareholders' general meeting or publicly collected voting rights from the Shareholders.

### (3) Specialized committees of the Board

Four specialized committees were established under the Board of the Company, including the Strategy Committee, the Audit Committee, the Nomination Committee, and the Remuneration and Appraisal Committee. Each committee formulated its specific procedures in order to define the scope of responsibility and power. These committees assist the Board in enhancing standard management in aspects such as strategic development, project investment, financial reporting and human resources and assessment, thereby effectively improving the level governance and operational efficiency of the Company. Independent non-executive Directors play major roles in these committees of the Board. The independent non-executive Directors account for a majority of the composition in the Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee, and an independent non-executive Director holds chairmanship in each of these committees.

## CORPORATE GOVERNANCE

### Strategy Committee

The Strategy Committee was established in 2001. Its current members comprise Qian Yong Xiang (Chairman), Chen Xiang Hui, Cheng Chang Yung Tsung, Alice and Zhang Er Zhen\*.

\* Independent non-executive Director

### Duties

The Strategy Committee is principally responsible for (i) examining and reviewing the direction for strategic development of the Company, (ii) studying and making recommendations on substantial capital operations, asset operation projects and investment and financing proposals, (iii) determining the Company's strategic planning, (iv) supervising over the execution of strategies and (v) enhancing the investment decision-making procedures, so as to strengthen scientific decision-making and to improve the efficiency of making substantial investment decisions and the quality of such decisions.

### Major work during the Reporting Period

#### Report on discharge of duties in 2014 by the Strategy Committee

Pursuant to the relevant requirements under the the PRC Corporate Governance Code, the Listing Rules of SSE, the articles of association and the Rules of Procedure of the Nomination Committee of Jiangsu Expressway Company Limited, as the existing members of the Strategy Committee, we hereby make the work report of 2014 to the Board as follows:

The Strategy Committee held three meetings in 2014 and all members attended the meetings.

At the first meeting, the committee considered to participate in the bidding of Land Lot No.2, South Nanjing New City with the mark up of no more than 20% on the bidding price (total land price was RMB500 million) (i.e. total land price shall not exceed RMB600 million), and the resolution was proposed to the Board for consideration.

The second meeting was the annual meeting of the Strategy Committee for 2013 for discussion on the overall debt and financing plan in 2013. At this meeting, according to the current debt structure and capital expenditure plan, the committee suggested that the overall debt-to-equity ratio be controlled within 40% so as to control debt risks and ensure asset security of the Company. In respect of debt financing, the committee has consented to the financing plan on the issue of short-term notes of not more than RMB2 billion proposed by the Company, and such plan was submitted to the Board for consideration. Meanwhile, the committee considered the execution of the strategic plan of the Company for 2013 and the interim assessment report on the implementation of "Twelfth Five-Year" development plan.



## CORPORATE GOVERNANCE

At the third meeting, the acquisition of the entire equity interest of Ningchang Zhenli held by Communications Holdings by the Company at a cash consideration of RMB502 million and the takeover of the entire interest-bearing borrowings of Ningchang Zhenli on the completion date (not exceeding RMB7,500,000,000) were approved, thereby capitalizing such debts of Ningchang Zhenli into equity, and the resolutions were proposed to the Board for consideration. Meanwhile, at the same meeting, the acquisition by Guangjing Xicheng, a holding subsidiary of the Company, of the entire equity interest in Xiyi Company previously held by Communications Holdings, Changzhou Expressway and Wuxi Expressway at a cash consideration of RMB662,000,000, and the absorption and merger of Xiyi Company and the takeover of its entire assets, liabilities, business and personnel were approved, and the resolutions were proposed to the Board for consideration.

*The Strategy Committee*

**Qian Yong Xiang, Chang Yung Tsung, Alice,  
Chen Xiang Hui, and Zhang Er Zhen\***

27 March 2015

### **Audit Committee**

The Audit Committee was established in 2001. Its current members comprise Chen Dong Hua\* (Chairman), Zhang Er Zhen\* and Du Wen Yi.

\* Independent non-executive Director, one of whom possesses the appropriate professional qualifications or appropriate accounting or relevant financial management expertise as required under Rule 3.10(2) of Hong Kong Listing Rules.

### **Duties**

The Audit Committee is principally responsible for reviewing and monitoring the quality and procedures of the Company's financial reporting and supervising the establishment and implementation of the Company's internal audit system; examining the financial information and the disclosure of the Company and its subsidiaries; reviewing the establishment of the Company's internal control system and supervising its implementation, including financial control and risk management; auditing material related/connected transactions; and communicating, supervising and reviewing the work of the internal and external auditors of the Company.

### **Major work during the year**

#### **Report on discharge of duties in 2014 by the Audit Committee**

Pursuant to the relevant requirements under the Guideline for the Operation of Audit Committees of Boards of Directors of Listed Companies of the SSE (《上海證券交易所上市公司董事會審計委員會運作指引》), the PRC Corporate Governance Code, the Listing Rules of SSE, the articles of association and the Rules of Procedures of the Audit Committee of Jiangsu Expressway Company Limited, we, as existing members of the Audit Committee, hereby make the work report of 2014 to the Board as follows:

#### **I. Convention of Audit Committee meetings during the year**

In 2014, the Audit Committee held five meetings, including four regular reporting meetings and one meeting convened with an external auditor attending to discuss the preparation of the audit work on the annual results for 2014 and to consider the resolutions in relation to the "Resolution in respect of the acquisition of the entire equity interest in Jiangsu Ningchang Zhenli Expressway Company Limited by Jiangsu Expressway Company Limited together with the transfer of all the debts of Jiangsu Ningchang Zhenli Expressway Company Limited and the capitalization of such debts into equity", the "Resolution in respect of the merger and absorption of Jiangsu Xiyi Expressway Company Limited by Jiangsu Guangjing Xicheng Expressway Company Limited", the technical service contract entered into by the Company and Network Operation Company and other ordinary related transactions/continuing connected transactions. All members attended the meetings and performed their job duties.

### II. Major works of Audit Committee in 2014

The committee supervised and evaluated the works carried out by the external auditor, provided guidance in respect of internal auditing, assessed the effectiveness of internal control as well as took the responsibility for the review and supervision of the quality and procedures of the Company's financial reporting. The specific work of the committee includes the following:

- ◆ It reviewed the financial statements for the full year of 2013 and the unaudited financial statements for the first quarter, first half year and third quarter of 2014 and made recommendations to the Board for approval.
- ◆ It reviewed matters related to the preparation of financial reports such as the internal control system, position setting, manpower allocation and training courses of the Company. The committee considered that the resources and participation of the Company and the qualifications and experience of relevant staff members, as far as the accounting and financial reporting functions are concerned, were satisfactory during the Reporting Period.
- ◆ Before the commencement of the annual audit for 2014, the members of the committee and the independent Directors of the Company have obtained the Work Plan on Preparation of Annual Financial Report and Annual Audit from the Company and the annual audit plan from the auditors, and met with them to discuss the composition of the audit team, risk analysis, scope of audit, audit methodology, focus of audit for the Reporting Period and the schedule for the annual audit.
- ◆ Before the commencement of the annual audit for 2014, the Audit Committee preliminarily reviewed the Group's 2014 financial statements and issued its opinions in writing. The committee paid special attention to the treatment of significant financial and accounting matters for the year 2014 and gave preliminary approval on the management's opinions regarding the treatment of such matters. It was of the view that significant accounting estimates adopted by the Group were reasonable.
- ◆ After the auditors issued the preliminary audit opinion, the Audit Committee, the independent Directors and the auditors held a meeting on 23 March 2015. The committee reviewed again the 2014 financial statements of the Group and had in-depth discussion and communication with the management and the auditors over the appropriateness of the accounting policies adopted by the Group and the reasonableness of the accounting estimates. The Audit Committee considered that the accounting policies and accounting estimates adopted by the Group for 2014 met the requirements of relevant accounting standards, that the significant accounting policies adopted were appropriate, and that the significant accounting estimates were reasonable.
- ◆ It reviewed the internal review report on 2014 annual report and the relevant review checklist submitted by the finance and accounting department of the Company, and examined the extent of its compliance with statutory disclosure rules and the completeness and accuracy of the information disclosed. It also examined the compliance with corporate governance rules and as well as the disclosure under the corporate governance report of the Company in 2014.
- ◆ Through adequate communication in advance and timely supervision during the process, the auditors completed the annual audit as scheduled and submitted the 2014 audit report on 20 March 2015. Based on the aforementioned work and the audit report of the auditors, the Audit Committee considered that the Group's 2014 financial statements truthfully and reasonably reflect its operating results in 2014 and the financial position as at 31 December 2014, and thus suggested the Board to approve the same.

## CORPORATE GOVERNANCE

- ◆ It is responsible for assisting the Board in reviewing the effectiveness of the Group's internal control system, and the review covers the control of all key areas, including financial control, operation control, compliance control and risk management. The Audit Committee reviewed the 2014 Evaluation Report on Internal Control of the Company and assisted the Board in making independent assessment on the effectiveness of the Group's internal control to ensure its establishment and implementation of appropriate internal control systems and procedures.
- ◆ As required by the internal control evaluation process, the committee considered and approved the Work Plan for 2014 Self-evaluation on Internal Control of the Company and Work Plan for 2015 Internal Audit of the Company. The committee kept itself informed of the progress of the construction and evaluation tasks of the Company's internal control and the key deficiencies revealed during internal control testing and the correction thereof through regular work overview and reporting to the Office of the Secretary to the Board. In particular, the Audit Committee thoroughly reviewed the draft of the trial run of internal control procedures in the course of the preparation of financial statements.

### III. Control and routine management of connected/related transaction

According to the requirements of Implementation Guidelines for Connected Transactions of Listed Companies of the SSE (《上市公司關聯交易實施指引》) and the Hong Kong Listing Rules, and subject to the approval of the Board, the committee also undertook the duties relating to the control and routine management of connected/related transactions of the Company. With knowledge on the procedures for identifying and approving connected/related transactions, the committee reviewed the List of Connected Persons/Related Parties (《關聯人／關連人清單》) of the Company during the year.

During the Reporting Period, the Company entered into major related/connected transactions. The Audit Committee discussed on major connected transactions at several meetings, and agreed to propose the resolution to the Board for consideration given that the acquisitions by the Company was in line with the long-term development of the Company and was in the interests of any other shareholders apart from connected parties.

### IV. Risk management and anti-fraud efforts

During the year, the committee continued to furnish the management with professional advice on the Group's significant matters and the enhancement of management standards, and reminded the management of any risks associated with such matters on an ongoing basis.

The Audit Committee has had a separate complaint mailbox for collecting any fraud-related information in a timely manner, and on the foregoing basis entered into a cooperation memorandum with the disciplinary inspection department of the Company. In 2014, the Audit Committee provided guidance for and supervision on the anti-fraud activities of the Company in accordance with the Anti-fraud Management Measures of the Company. It exchanged opinions with the auditors on risks of fraud and their management and control measures, obtained an understanding on the management feedback and status of rectification regarding the internal control suggestions made by both the auditors and the audit department of the Company, and reviewed the significant accounting policies and accounting estimates adopted by the management. Based on the work as mentioned above, the Audit Committee considered that the Company's risk management and control of fraud were effective.

## CORPORATE GOVERNANCE

### V. Work evaluation and re-appointment of auditors

In 2014, the Company appointed Deloitte Touche Tohmatsu Certified Public Accountants LLP (“Deloitte”) to audit the annual financial statements and internal control procedures and to undertake the duties as the Company’s auditor as required under the Hong Kong Listing Rules.

In accordance with the requirement of the Company, the Audit Committee made a conclusion on the audit work of Deloitte for the year 2014 after discussion with and assessment by the management. The Committee held the opinion that Deloitte performed well in terms of independence and objectivity, professional skills, quality and efficiency of the disclosure and audit of financial information and the communication with the management, the Audit Committee and the Board. Therefore, the Audit Committee proposed that Deloitte be re-appointed as the Company’s auditor for the year 2015 to conduct a consolidated audit on the annual financial statements and internal control procedures, and to undertake the duties as an international auditor as required under the Hong Kong Listing Rules.

*Audit Committee*  
**Chen Dong Hua, Zhang Er Zhen, Du Wen Yi**  
27 March 2015

### Nomination Committee

The Nomination, Remuneration and Appraisal Committee established by the Company in 2001 was split into the Nomination Committee and the Remuneration and Appraisal Committee in 2012 as required by the Stock Exchange. Its current members comprise Xu Chang Xin\* (Chairman), Fang Hung, Kenneth, Chen Dong Hua\*, Gao Bo\* and Zhang Yang.

\* Independent non-executive Director

### Duties

The Nomination Committee is primarily responsible for devising the Company’s human resources development strategies and plans; and conducting studies and making proposals in respect of nominees, nomination criteria and procedures for the Company’s Directors and senior management. It is held accountable to the Board.

### Major work during the year

#### Report on discharge of duties in 2014 by the Nomination Committee

Pursuant to the relevant requirements under the PRC Corporate Governance Code, the Listing Rules of SSE, articles of association and the Rules of Procedures of the Nomination Committee of Jiangsu Expressway Company Limited, we, as existing members of the Nomination Committee of the Company, hereby present the report on the discharge of our duties in 2014 to the Board:

The committee was mainly responsible for formulation of the human resources development strategy and plan of the Company as well as examining and making recommendations on the candidates, selection standard and procedures of directors and senior management of the Company. It is also accountable to the Board. The Company will review the structure, number of members and the composition of the Board (including but not limited to skill, expertise, experience, gender, age, culture and educational background as well as various perspectives and dimensions) and make recommendation on the proposed changes on the Board in response to the strategies of the Company.

## CORPORATE GOVERNANCE

The Nomination Committee held two meetings in 2014 in which all members attended.

The Nomination Committee has carried out the relevant nomination procedures in respect of the election of candidates for the deputy general manager and assistant to general manager of the Company.

*Nomination Committee*  
**Xu Chang Xin, Fang Hung, Kenneth,  
Chen Dong Hua, Gao Bo and Zhang Yang**  
27 March 2015

### **Remuneration and Appraisal Committee**

The Nomination, Remuneration and Appraisal Committee established by the Company in 2001 was split into the Nomination Committee and the Remuneration and Appraisal Committee in 2012 pursuant to requirements of the Stock Exchange. Its current members comprise Xu Chang Xin\* (Chairman), Fang Hung, Kenneth, Chen Dong Hua\*, Gao Bo\* and Zhang Yang.

\* Independent non-executive Director

### **Duties**

The Remuneration and Appraisal Committee is principally responsible for examining the independence of the independent non-executive Directors, making recommendations on the determination of remunerations for Directors and supervisors and on the Company's remuneration policy, the devise of the appraisal standards for the Directors and members of senior management of the Company and the performance of appraisals thereof. It is held accountable to the Board.

### **Major work during the year**

#### **Report on discharge of duties in 2014 by the Remuneration and Appraisal Committee**

Pursuant to the relevant requirements under the PRC Corporate Governance Code, the Listing Rules of SSE, the articles of association and the Rules of Procedures of the Nomination Committee of Jiangsu Expressway Company Limited, we, as existing members of the Remuneration and Appraisal Committee of the Company, hereby present the report on the discharge of our duties in 2014 to the Board:

The Remuneration and Appraisal Committee is mainly responsible for studying and formulating the remuneration policy and the incentive system of the Company, as well as responsible for formulating the appraisal standards of the Directors and senior management. The Committee is responsible for the Board.

The Remuneration and Appraisal Committee held one meeting in 2014 where all members attended. Major works included:

The committee has confirmed the independence of the independent Directors.

The committee has examined the remuneration information of the Directors, Supervisors and senior management of the Company disclosed in this annual report and is of the view that the data disclosed was truthful and accurate. Besides, none of the Directors, supervisors or senior management of the Company held any shares, share options or being granted restricted shares of the Company, and the Company has not adopted any share option incentive schemes currently.

## CORPORATE GOVERNANCE

The committee has appraised and assessed the discharge of duties by the Directors and the management during 2014. The committee is of the view that all Directors have loyally fulfilled their obligations with integrity and diligence and have dutifully fulfilled and discharged their duties under their respective service contracts, and that they have devoted the necessary attention and adequate time to the Company's businesses and have brought their professional experience and expertise into full play, thus helping the Board to make decisions in a scientific and efficient manner and assuring the realization of the Company's best interests. The management of the Company has discharged its duty professionally and conscientiously and has satisfactorily achieved the Company's various operation and management objectives for the year which had been pre-set by the Board in early 2014.

*Remuneration and Appraisal Committee*  
**Xu Chang Xin, Fang Hung, Kenneth,  
Chen Dong Hua, Gao Bo and Zhang Yang**  
27 March 2015

#### 4. Supervisors and Supervisory Committee

The seventh session of the Supervisory Committee was elected at the annual general meeting of the Company held on 19 June 2012 and with a term ending on the date of the 2014 annual general meeting of the Company. The Supervisory Committee comprises five supervisors, of whom three are representatives of the Shareholders and the other two are staff representatives of the Company. The number of members and composition of the Supervisory Committee is in compliance with the requirements under the relevant laws and regulations.

The Supervisory Committee is accountable to the Shareholders' general meetings and independently exercises its supervisory authority over the Company in a lawful manner, so as to prevent the infringement of the legitimate interests of the Shareholders, the Company and its staff. Its main duties include examining the financial situation of the Company, supervising the Company's decision-making and operational procedures on material business activities and related/connected transactions, and supervising the discharge of duties of the Directors and senior management of the Company to ensure legality and compliance. The articles of association and the "Rules of Procedure for the Supervisory Committee" of the Company set out the powers and authorities of the Supervisory Committee in detail.

In 2014, the Supervisory Committee held five meetings, and all supervisors sat in each Board meeting. In accordance with the PRC Company Law, the Listing Rules and other relevant regulations as well as the articles of association and the Rules of Procedure for the Supervisory Committee and by observance of the principle of integrity, all members of the Supervisory Committee have faithfully discharged their duties. It examined the signing of written resolutions of the Board, exercised an effective supervision over the legality of the decision-making process of the Company, the implementation of the resolutions passed at the Shareholders' general meetings by the Board, and the performance of duties by the Directors and management of Company, as well as alerted the Board and the management of the Company of any potential risks. Based on the above supervision, the Supervisory Committee is of the opinion that the Company has operated in strict accordance with relevant laws and regulations and that the Directors and members of senior management of the Company have discharged their duties in the interests of both the Shareholders and the Company. There was no violation of laws and regulations, nor was there any abuse of power or any act detrimental to the interests of the Company, the Shareholders and employees. The Company's internal control system and the implementation was basically sound and effective, and no risk or major weaknesses were found thereof to be inherent in the operation and management of the Company.

# CORPORATE GOVERNANCE

## 5. The management

The management of the Company, comprising one General Manager and four deputy general managers and three senior management officers, is in charge of the coordination and management of the business and operations of the Group, the implementation of the strategies set by the Board, and decision making and control over day-to-day business, financial and human resources management.

The Board and the Remuneration and Appraisal Committee are responsible for the appraisal of the Company's management members, and the establishment of various performance objectives including operating revenue, costs of operations, profit indicators and objectives for the respective operations. After the consideration and approval by the Board at the beginning of each year, the Company assigns specific tasks to various functional departments of operations. The persons-in-charge of the respective departments then enter into annual responsibility letters with the general manager of the Company. At the end of the year, the Board will assess the management's performance based on the extent of satisfaction with various objectives.

## III. Corporate Governance Report

As at the publishing date of this report, the Board, having reviewed the day-to-day governance practices of the Company according to the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules, was of the opinion that the Company fully adopted all the code provisions set out in the said code and used its best endeavours to comply with the recommended best practices, and that no material deviation or breach was found. The detailed review and description of the status of compliance are set out below.

### A. Directors

#### A1. The Board

- |                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|---------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Code principle</b>                       | <ul style="list-style-type: none"><li>• The Board should assume responsibility for leadership and control of the issuer and be collectively responsible for directing and supervising the issuer's affairs. Directors should take decision objectively in the best interests of the issuer. The Board should regularly review the contributions required from a Director to perform his responsibilities to the issuer, and whether he is spending sufficient time performing them.</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>The best corporate governance status</b> | <ul style="list-style-type: none"><li>• The Board is accountable to Shareholders' general meetings and fully represents the interests of Shareholders and formulates the Company's development strategies in strict compliance with the "Rules of Procedure for the Board of Directors" and within its terms of reference as stipulated by the articles of association. The Board also monitors the implementation of the Group's operation management and its financial performance, with the primary mission of achieving operating results that generate the most stable returns in the long run.</li><li>• The Directors take the initiative to understand the Company's operation and business development, attend Board meetings and specialized committee meetings in a prudent, responsible, proactive and diligent manner, adequately capitalize on their respective professional experience and expertise and produce proactive and encouraging effect in ensuring the Board to run in the best interests of the Company as its objective.</li></ul> |

## CORPORATE GOVERNANCE

Code provision	Compliance	Corporate governance procedures
A1.1 Regular Board meetings should be held at least four times a year, approximately once every quarter. Directors should attend in person or actively getting involved through electronic means of communications. A regular Board meeting does not include obtaining Board consent through circulating written resolutions	Yes	<ul style="list-style-type: none"> <li>In 2014, the Company held six Board meetings, including five physical meetings where Directors attended in person and one extraordinary meeting where votes were casted by way of correspondence.</li> <li>Each of the regular Board meetings was participated by the majority of Directors who were entitled to attend, either in person or through the appointment of another Director to vote on his/her behalf. The attendance complied with the provisions of the articles of association of the Company. The extraordinary meeting was approved by the Board by way of circulation of written resolutions. Details of attendance in 2014 Board meetings are listed in the table below.</li> </ul>
A1.2 All directors are given an opportunity to include matters in the agenda for regular Board meetings	Yes	<ul style="list-style-type: none"> <li>All Directors were given the opportunity to include matters in the agenda for regular Board meetings but such right was not exercised in the year.</li> </ul>
A1.3 Notice of at least 14 days should be given of a regular Board meeting	Yes	<ul style="list-style-type: none"> <li>Notice, agenda and the relevant information of each regular Board meeting were given 14 days prior to such meeting. Notice of extraordinary Board meeting was also given within a reasonable time before the meeting to ensure that all Directors were given an opportunity to attend.</li> </ul>
A1.4 Minutes of meetings should be kept by the secretary to the Board and available for inspection by any director at any reasonable time	Yes	<ul style="list-style-type: none"> <li>Secretary to the Board is responsible for preparing and maintaining all minutes and the relevant meeting materials of the Board and Board committees which were available for inspection by any Director at any reasonable time.</li> </ul>
A1.5 Minutes of meetings should record in sufficient details the matters considered by directors and decisions reached at meetings; and the drafted and finalized minutes of the meetings shall be delivered to all Directors in a reasonable period.	Yes	<ul style="list-style-type: none"> <li>The minutes of meetings reflected objectively the consideration, voting and opinions given by the Directors in detail and were duly signed by Directors having attended the meetings.</li> </ul>



## CORPORATE GOVERNANCE

Code provision	Compliance	Corporate governance procedures
A1.6 Directors could seek independent advice under an agreed procedure at the Company's expense	Yes	<ul style="list-style-type: none"> <li>In respect of matters that require advice to be sought from professional institutions, the Company will appoint professional institutions including accountants, lawyers, valuers, and so forth to issue written reports for the perusal of the Directors at the Company's expense. For the project concerning the participation of Guangjing Xicheng in the capital increase of Yanjiang Company in the year, the Company appointed independent advisory agencies to issue independent opinions in accordance with the requirements to the Directors for their decision.</li> </ul>
A1.7 If a substantial shareholder or a Director has a conflict of interest in a material matter, the company shall convene a Board meeting (shall not be handled through written resolution) in due course and the relevant related/connected directors shall abstain from voting	Yes	<ul style="list-style-type: none"> <li>The Company has made it clear that, if a substantial Shareholder or a Director has a conflict of interest in any material matter, the related/connected Director must abstain from voting when a Board meeting is held. The relevant matter shall not be dealt with by way of circulation of written resolutions or by a Board committee. During the Reporting Period, all related/connected Directors have abstained from voting in respect of the relevant resolutions on the connected/related-party transactions such as the entering into road maintenance contracts and the entering into loan agreement between holding subsidiaries and connected parties. The number of other non-related/connected Directors and independent non-executive Directors who had voted complied with the statutory quorum requirements.</li> </ul>
A1.8 An issuer should arrange appropriate insurance cover in respect of legal action against its directors	Yes	<ul style="list-style-type: none"> <li>During the Reporting Period, the Company had arranged liability insurance for its Directors, supervisors and senior management members pursuant to the requirements under the Hong Kong Listing Rules to mitigate risks arising in the course of their performance of duties.</li> </ul>

## CORPORATE GOVERNANCE

### A2. Chairman and Chief Executive Officer

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|---------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Code principle</b>                       | <ul style="list-style-type: none"> <li>The management of the Board and the day-to-day management of business should be clearly separated, thereby ensuring a balance of power and authority so that power is not concentrated in any one individual.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>The best corporate governance status</b> | <ul style="list-style-type: none"> <li>The Company has clearly defined the respective responsibilities of the Chairman and the managing director of the Company. The roles and responsibilities of the Board and the management are separated and set out in detail in the articles of association, the Rules of Procedure for the Board of Directors and the Rules of Reference to General Manager of the Company, ensuring a balance of power and authority as well as guaranteeing the independence of the Board in the decision-making process and the independence of the management in day-to-day operation and management activities. The management is able to effectively control the day-to-day operation and management activities of the Company and maintain its independence in personnel arrangement and management activities. The Company has a sound accountability system in place and there has not been any ultra vires act or "insider control".</li> </ul> |

#### Code provision

#### Compliance Corporate governance procedures

- |                                                                                                                                                                                                                      |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| A2.1 The roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities should be clearly established and set out in writing | No | <ul style="list-style-type: none"> <li>Mr. Yang Gen Lin assumed the position as the Chairman of the seventh session of the Board and Mr. Qian Yong Xiang held the position as the managing Director of the Company. The Chairman concentrated his work on the Group's development strategies and matters of the Board, while the managing Director undertook the duties of chief executive officer and was in charge of the coordination and management of the business and operations of the Group, the implementation of the strategies set by the Board and day-to-day decision-making under the support and assistance of the Board and other senior management staff of the Company. The separation of the roles is explained in detail in the articles of association, the "Rules of Procedure for the Board of Directors" and the "Rules of Reference to General Manager" of the Company.</li> <li>There was no relationship between the Chairman and the general manager of the Company in the financial, operational, family or other relevant aspects.</li> <li>In December 2014, Mr. Yang Gen Lin, former chairman of the Company, resigned from all his positions in the Company due to other business engagement. Prior to the appointment of the new chairman, Mr. Qian Yong Xiang, general manager, has been assuming the role to convene Board meetings on a provisional basis. The Company will appoint a new chairman as soon as possible so as to fulfill the requirements on corporate governance.</li> </ul> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

## CORPORATE GOVERNANCE

Code provision	Compliance	Corporate governance procedures
A2.2 The chairman should ensure that all directors are properly briefed on issues arising at Board meetings	Yes	<ul style="list-style-type: none"> <li>The Board has established a reporting system in which the general manager reports to all Directors at each regular meeting, held four times a year, the most updated status of the Company. The Chairman also tables, for decision-making purposes, any material matters of the Group to the Board for collective discussion by the Directors at the meeting.</li> </ul>
A2.3 The chairman should ensure that directors receive, in a timely manner, adequate information which must be accurate, clear, complete and reliable	Yes	<ul style="list-style-type: none"> <li>The Chairman has appointed the Secretary to the Board who shall timely provide information regarding the obligations to be fulfilled by the Board, commit to continuously improving the quality and timeliness of the information as well as assuming the obligations to ensure the accuracy and completeness of the information provided.</li> </ul>
A2.4 The chairman should ensure that the Board works effectively, and be primarily responsible for drawing up the agenda for and any matters to be considered at each Board meeting	Yes	<ul style="list-style-type: none"> <li>The agendas of Board meetings were discussed among the Chairman, the executive Directors and the secretary to the Board, and were determined after having taken into account all motions put forward by non-executive Directors.</li> </ul>
A2.5 The chairman should ensure that good corporate governance practices and procedures are established	Yes	<ul style="list-style-type: none"> <li>The Chairman played a significant role in the development of the Company's corporate governance system. The Chairman assigned the Secretary to the Board to establish a good corporate governance system and procedures, and supervised the management to faithfully implement various systems to ensure that the operations of the Company are regulated.</li> </ul>
A2.6 The chairman should encourage all directors to make a full and active contribution to the Board's affairs and to conduct adequate discussions of the matters under consideration and should encourage directors to express different opinions	Yes	<ul style="list-style-type: none"> <li>The Chairman encouraged all Directors to make a full and active contribution to the Board's affairs and to make valuable contributions to the Board. The Chairman acted as a role model and made sure that the Board acted in the best interests of the Company. At Board meetings, all Directors had ample opportunities to express their respective views and to discuss the matters under consideration. The results of voting at Board meetings also fairly reflected the consensus of the Directors.</li> </ul>

## CORPORATE GOVERNANCE

Code provision	Compliance	Corporate governance procedures
A2.7 The chairman should hold a meeting once every year with non-executive directors, in the absence of the executive director	No	<ul style="list-style-type: none"> <li>The Board has 11 members, of whom one is an executive Director and ten are non-executive Directors. Six Directors are engaged externally. This ensures adequate independence of the Board and safeguards the Board's decisions from being prejudiced by the opinions of executive Director.</li> </ul>
A2.8 The chairman should ensure effective communication with shareholders and that the views of shareholders are communicated to the Board	Yes	<ul style="list-style-type: none"> <li>The Chairman placed emphasis on the effective communications between the Company and the Shareholders for the purpose of continuing enhancement of investor relations and the realization of the best returns for the Shareholders. All Shareholders are entitled to attend Shareholders' meetings and express their opinions. The Secretary to the Board will also report to the Board the important views of Shareholders on a day-to-day basis.</li> </ul>
A2.9 The chairman should promote a culture of openness and debate and ensure constructive relations among the directors	Yes	<ul style="list-style-type: none"> <li>The Board encouraged and embraced democratic discussions and respected the views of each Director. The Board maintained a good atmosphere for discussions, in which the Directors were invited to give their respective opinions before an official voting took place and were free to discuss the matters being considered. The Chairman also valued the contributions of the Directors and strove to ensure that there were constructive relations between the executive Director and the non-executive Directors.</li> </ul>
A3. Board composition		
<b>Code principle</b>		<ul style="list-style-type: none"> <li>The Board should have a balance of skills, experience and diversity of viewpoints and perspectives appropriate for the requirements of the issuer's business. The Board shall ensure that changes to the composition of the Board can be managed without undue disruption. The Board should also include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that there is a strong independent element on the Board and independent judgment can be exercised effectively. Non-executive Directors should be of sufficient calibre and number for their views to carry weight.</li> </ul>

## CORPORATE GOVERNANCE

### The best corporate governance status

- The election of the new session of Board was approved at the annual general meeting held on 19 June 2012, forming the seventh session of the Board which comprised 11 Directors, of whom one was an executive Director and 10 were non-executive Directors with the terms of office ending on the date of the 2014 annual general meeting of the Company. Four of the non-executive Directors were nominated by Shareholders. Among the non-executive Directors, six of them were engaged externally by the Company, including four independent non-executive Directors, to ensure adequate independence of the Board. At the same time, two Directors are female and two are prominent figures in Hong Kong to ensure the diversity of the Board and help the Board analyze and discuss issues from different perspectives.
- The Directors were elected or replaced by Shareholders' general meetings. The Company adopts cumulative voting in the election process for Directors. The term of appointment of a Director is usually three years. The appointment of all Directors was determined at Shareholders' general meeting. Directors can be re-elected when their terms of appointment expire. A re-elected independent Director shall not serve for more than six consecutive years.
- The members of the Board have different industry background. They are diversified in experience, competence and judgmental skills, which enable the Board to make more prudent and considerate decisions. Members of the current session of the Board have background and professional experience in the fields of highway, engineering, investment, financial accounting, finance and securities, economic management, corporate management and real estate, of whom two Directors have accounting qualifications and financial management expertise as required by the regulatory authorities and two are prominent figures in Hong Kong to help the Board analyse and discuss issues from different perspectives.
- There relationship among the Board members in the financial, business, family or other relevant material aspects.

### Code provision

### Compliance Corporate governance procedures

Code provision	Compliance	Corporate governance procedures
A3.1 The independent non-executive directors should be identified in all corporate communications	Yes	<ul style="list-style-type: none"> <li>• The independent non-executive Directors are disclosed in all corporate communications including the Company's annual and interim reports, and websites of the Company and the Stock Exchange.</li> </ul>
A3.2 The issuer should maintain on its website and the Stock Exchange's website an updated list of current Board members.	Yes	<ul style="list-style-type: none"> <li>• The Company has uploaded onto the relevant websites the list with profiles of the current Board members, which set out their roles, functions and independence. The Company will promptly update relevant information should there be any changes in the composition of the Board.</li> </ul>

## CORPORATE GOVERNANCE

### A4. Appointment, Re-election and Removal

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|---------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Code principle</b>                       | <ul style="list-style-type: none"> <li>There should be a formal, considered and transparent procedure for the appointment of new Directors. There should be plans in place for orderly succession for appointments. All directors should be subject to re-election at regular intervals. An issuer must explain the reasons for the resignation or removal of any director.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>The best corporate governance status</b> | <ul style="list-style-type: none"> <li>The Board has established the Nomination Committee which makes recommendations on the procedures for the appointment, re-election, removal and recruitment of Board candidates for consideration by the Board. Their appointment will ultimately be determined at a Shareholders' general meeting. During the process of selection, the criteria considered by the committee include the relevant candidate's integrity, his/her achievement and experience in the relevant industry, his/her professional and educational background and his/her level of commitment, including the amount of time that he/she can devote to and his/her concern about relevant affairs, and so forth.</li> <li>For changes in Directors for the year, please refer to section headed "Changes in Directors, Supervisors and Senior Management" in this Report.</li> </ul> |

#### Code provision

#### Compliance Corporate governance procedures

Code provision	Compliance	Corporate governance procedures
A4.1 Non-executive Directors should be appointed for a specific term, subject to re-election	Yes	<ul style="list-style-type: none"> <li>Directors are generally appointed for a term of three years. All Directors are appointed at a Shareholders' general meeting and can be re-appointed upon expiry of the term.</li> </ul>
A4.2 Directors appointed to fill casual vacancies should be subject to election by shareholders at the first general meeting after appointment. Every director should be subject to retirement by rotation at least once every three years	No	<ul style="list-style-type: none"> <li>All Directors were elected or replaced at Shareholders' general meetings. The Company has introduced the cumulative voting system for the election of Directors. The Company does not implement the policy of retire from office by rotation for re-election, every three years, however the Company Law and the articles of association of the Board stipulate that each session of the Board is for a term of three years, each Director is appointed for a term of three years and should retire upon the expiry of the three-year term. Any re-appointment is subject to re-election at a Shareholders' general meeting.</li> </ul>
A4.3 Serving more than 9 years could be relevant to the determination of an independent director's independence.	Yes	<ul style="list-style-type: none"> <li>The Company enforces the listing rules of the SSE regarding the term of independent non-executive Directors. The consecutive term of an independent non-executive Director should not be more than six years in order to ensure adequate independence.</li> </ul>

## CORPORATE GOVERNANCE

### A5. Nomination Committee

Code provision	Compliance	Corporate governance procedures
A5.1 The company should establish a nomination committee, which is chaired by the chairman of the Board or an independent non-executive director and comprises a majority of independent non-executive directors	Yes	<ul style="list-style-type: none"> <li>The Nomination Committee has been established under the Board of the Company, comprising Xu Chang Xin, Zhang Yang, Fang Hung, Kenneth, Gao Bo and Chen Dong Hua, of whom three are independent non-executive Directors. The chairman of the committee is Xu Chang Xin.</li> </ul>
A5.2 The nomination committee should be established with specific written terms of reference	Yes	<ul style="list-style-type: none"> <li>The Company has formulated the "Rules of Procedure for the Nomination Committee" specifying the terms of reference and responsibilities of the committee. The main responsibilities of the committee are set out in the section headed "Specialized Committees of the Board" in this Chapter.</li> </ul>
A5.3 The nomination committee should make available its terms of reference on the websites of the issuer and the Stock Exchange	Yes	<ul style="list-style-type: none"> <li>The Company has made available the terms of reference of the Nomination Committee on its website, and published the same on the websites of both the SSE and the Stock Exchange for the enquiry of investors at any time.</li> </ul>
A5.4 The issuer should provide sufficient resources for the committee to perform its duties. When necessary, it should seek independent professional advice, at expense of the Company	Yes	<ul style="list-style-type: none"> <li>The Company provided sufficient resources for the Nomination Committee to perform its duties. In respect of matters that require advice to be sought from professional institutions, the Company proactively engaged professional institutions including accountants, lawyers, valuers and so forth to issue written reports for perusal by the Directors at the Company's expense. During the year, the committee had not requested the Company to seek professional independent advice on any relevant matter.</li> </ul>

## CORPORATE GOVERNANCE

Code provision	Compliance	Corporate governance procedures
A5.5 In the election of an independent non-executive director, the Board shall include the reasons for the election, independence and reason for the director as an independent person in the circular to the shareholders	Yes	<ul style="list-style-type: none"> <li>As far as the election of an independent non-executive Director is concerned, the Company included the reasons for appointing such person and the independence statement in both the notice of the general meeting and the circular to the Shareholders.</li> </ul>
A6. Responsibilities of Directors		
<b>Code principle</b>		<ul style="list-style-type: none"> <li>Every director must always know his responsibilities as a director of an issuer and its conduct, business activities and development. Non-executive directors have the same duties of care and skill and fiduciary duties as executive directors.</li> </ul>
<b>The best corporate governance status</b>		<ul style="list-style-type: none"> <li>The Company has formulated the “Rules of Procedure for the Board of Directors”, the work rules of each committee and the “Rules of Reference to Independent Directors”, specifying the responsibilities of each Director so as to ensure that all Directors understand their roles and duties thoroughly.</li> <li>The secretary to the Board is responsible for ensuring that all Directors obtain the Company’s latest information on business development and updated statutory information.</li> </ul>

Code provision	Compliance	Corporate governance procedures
A6.1 Every newly appointed director should receive an induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the issuer’s operations and business and his/her responsibilities under legal requirements and the regulatory policy	Yes	<ul style="list-style-type: none"> <li>A comprehensive information package and relevant training which comprise an introduction to the Group’s operations, a brief introduction to Directors’ responsibilities and duties and other statutory requirements will be provided to new Directors upon their appointment.</li> <li>All non-executive Directors will be provided with reports on business progress, financial objectives, development plans and strategic plans regularly by the management.</li> <li>The Secretary to the Board is responsible for ensuring that all Directors obtain the latest information on the Listing Rules and other statutory requirements.</li> </ul>



# CORPORATE GOVERNANCE

Code provision	Compliance	Corporate governance procedures
A6.2 Functions of non-executive directors	Yes	<ul style="list-style-type: none"> <li>• Non-executive Directors have actively participated in Board meetings and served as committee members, reviewed the progress on the achievement of the Company's business objectives and provided independent opinions on the Board's decision-making processes.</li> <li>• Functions of non-executive Directors include:               <ul style="list-style-type: none"> <li>— Participating in Board meetings to give independent opinions on the issues involving strategy, policy, performance, accountability, resources, key appointments and code of conduct, etc.;</li> <li>— taking the lead where potential conflicts of interest arise;</li> <li>— serving on the Audit Committee, the Remuneration and Appraisal Committee, Nomination Committee and other governance committees, if invited, and</li> <li>— scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting of the Company.</li> </ul> </li> </ul>
A6.3 Directors should ensure that they can give sufficient time to the issuer's affairs	Yes	<ul style="list-style-type: none"> <li>• All Directors of the Company worked hard and faithfully performed their duties, and each of them was able to devote sufficient time and efforts in dealing with the matters of the Company. There was satisfactory attendance at Board meetings and committee meetings each year and no single Director failed to attend Board meetings for more than two times within a year. For records of attendance of the meetings, please refer to the relevant section of this Chapter.</li> </ul>
A6.4 The Board should establish written guidelines no less exacting than the Model Code for relevant employees in respect of their dealings in the issuer's securities	Yes	<ul style="list-style-type: none"> <li>• The Directors have complied with the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 to the Hong Kong Listing Rules during the year. The Board has formulated the Model Code as a written guideline for the trading of securities of the Company by the relevant employees. The Model Code's standards on securities transactions by Directors are not lower than the requirements of the "Model Code for Securities Transactions by Director of Listed Issuers". During the Reporting Period, there were no transactions involving the dealing in the Shares by the Directors.</li> </ul>

## CORPORATE GOVERNANCE

Code provision	Compliance	Corporate governance procedures
A6.5 All directors should participate in continuous professional development. The issuer should be responsible for arranging and funding suitable training in development plans	Yes	<ul style="list-style-type: none"> <li>All Directors will have opportunities to receive professional training arranged by the Company during their terms of office. The Secretary to the Board kept paying attention to the development of governance requirements of securities regulatory authorities and delivered latest requirements to the Directors, supervisors and members of senior management by means of communication to help them update their knowledge and improve the exercise of their functions and responsibilities. Meanwhile, the Secretary to the Board also arranged the Directors, supervisors and members of senior management to participate in special training programmes held by the stock exchanges or local securities regulatory authorities, and organized special seminars on laws, finance, management and capital market for the Directors to facilitate their continuing professional development.</li> </ul>
A6.6 Each director should, disclose to the issuer at the time of his appointment, (and shall make such disclosure regularly thereafter) the number and nature of offices held in public companies or organizations, and other significant commitments	Yes	<ul style="list-style-type: none"> <li>Each Director regularly provided information to the Company on and after his/her appointment as to his/her employment with other companies (including employment as Directors or supervisors in listed companies in the previous three years). Details of the positions currently held by such Directors in other listed companies are disclosed in the chapter headed "Directors, Supervisors, Senior Management and Staff" in this annual report.</li> </ul>
A6.7 Independent non-executive directors should regularly attend Board meetings, meetings of committees and shareholders' general meetings, and develop a balanced understanding of the views of the shareholders of the Company	Yes	<ul style="list-style-type: none"> <li>All independent non-executive Directors have attended Board meetings and meetings of various committees regularly and contributed their skills and expertise to the Company's decision-making process. All independent non-executive Directors have attended the annual general meetings and extraordinary general meetings of the Company held during the year.</li> </ul>
A6.8 Independent non-executive directors and other non-executive directors should make a positive contribution to the development of the issuer's strategy and policies through independent, constructive and informed comments	Yes	<ul style="list-style-type: none"> <li>All Directors have been able to attend Board meetings and specialized committee meetings in a prudent, responsible, active and conscientious manner, offering their respective professional experience and expertise, and giving their independent judgment, knowledge and experience in the matters discussed so that the Board could conduct productive discussions and make decisions in a speedy and prudent manner.</li> </ul>

## CORPORATE GOVERNANCE

### A7. Supply of and access to information

- |                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|---------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Code principle</b>                       | <ul style="list-style-type: none"> <li>Directors should be provided in a timely manner with appropriate information to enable them to make an informed decision and to perform their duties and responsibilities.</li> </ul>                                                                                                                                                                                                                                                                       |
| <b>The best corporate governance status</b> | <ul style="list-style-type: none"> <li>The secretary to the Board is responsible for providing all information to Directors, including documents of all meetings of the Board and specialized committees; providing reports on business progress, financial objectives, development plans and strategic plans regularly and the latest information on the Listing Rules and other statutory requirements; and improving the quality and timeliness of information on a continued basis.</li> </ul> |

#### Code provision

#### Compliance Corporate governance procedures

A7.1 Meeting documents should be sent to directors at least three days before the date of a Board or committee meeting	Yes	<ul style="list-style-type: none"> <li>The Company's meeting materials were sent to the Directors at least five business days before the date of each regular Board or committee meeting and at least three days by courier, mail or electronic mail before the date of each extraordinary Board meeting</li> </ul>
A7.2 Management has an obligation to supply the Board and its committees with adequate information, in a timely manner, to enable it to make informed decisions. Each director could have separate and independent access to the company's senior management for making further enquiries	Yes	<ul style="list-style-type: none"> <li>The management provided adequate information to the Board and its committees in a timely manner. Directors could obtain the necessary information separately and independently from the Company's senior management. The Board and the committees would make arrangements for the relevant members of the senior management to attend their meetings and report the latest situation about the operations, including the background or explanatory information on matters to be submitted to the Board for consideration, including disclosure documents, budgets, forecasts and monthly financial statements and other relevant internal financial statements.</li> </ul>
A7.3 All directors are entitled to have access to Board papers and related materials. Where queries are raised by directors, steps must be taken to respond as promptly and fully as possible	Yes	<ul style="list-style-type: none"> <li>All Board documents and related materials have been kept by the Secretary to the Board for inspection by Directors at any time. The Board and the committees have also made arrangements for relevant members of the senior management to attend their meetings and report on the latest situation about operations and respond to queries.</li> </ul>

## CORPORATE GOVERNANCE

### B. Remuneration of Directors and senior management of the Company

#### B1. Remuneration and extent and content of its disclosure

<b>Code principle</b>	<ul style="list-style-type: none"> <li>An issuer should disclose its directors' remuneration policy and other remuneration related matters. The procedures for setting policy on executive directors' remuneration and all directors' remuneration packages should be formal and transparent. No director should be involved in deciding his/her own remuneration.</li> </ul>
<b>The best corporate governance status</b>	<ul style="list-style-type: none"> <li>The Company has established the Remuneration and Appraisal Committee, the terms of reference of which include formulating and reviewing the remuneration policy and plan for the Directors and senior management staff of the Company. Except for the two external non-executive Directors and four independent non-executive Directors who received Directors' remuneration, the remaining Directors have not received any Directors' remuneration from the Company. The remuneration for independent non-executive Directors is determined with reference to the average market level and the Company's current status. The executive Director has received management remuneration from the Company. During the Reporting Period, no Director participated in determining his/her own remuneration.</li> <li>During the Reporting Period, the remuneration paid by the Company to two external independent non-executive Directors amounted to HK\$300,000 per person. The remuneration paid to four independent non-executive Directors during the first half of the year amounted to RMB30,000 per person. Upon approval at the general meeting of the Company, the remuneration paid to each of such four independent non-executive Directors during the second half of the year amounted to RMB45,000. Setting aside the foregoing, the independent non-executive Directors had not received other types of compensation from the Company.</li> </ul>

#### Code provision

#### Compliance Corporate governance procedures

B1.1 The remuneration committee should consult the chairman or the chief executive officer about their remuneration proposals for other executive directors, should have access to professional advice if necessary	No	<ul style="list-style-type: none"> <li>During 2014, other than the general manager who serves as the executive Director, the Company does not have other executive Directors. The general manager of the Company receives management remuneration but not Directors' remuneration.</li> </ul>
B1.2 The remuneration committee's terms of reference	Yes	<ul style="list-style-type: none"> <li>The Company has established the "Rules of Procedure for the Remuneration and Appraisal Committee" which specify the powers and duties of the committee, with its terms of reference being not limited to the provisions under the HK Corporate Governance Code. The Remuneration and Appraisal Committee acted as an advisor to the Board, while the Board retained the ultimate power of approving the remuneration for executive Director and senior management staff.</li> </ul>

## CORPORATE GOVERNANCE

Code provision	Compliance	Corporate governance procedures
B1.3 The remuneration committee should make available its terms of reference on the websites of the company and the Stock Exchange	Yes	<ul style="list-style-type: none"> <li>The Company has made available the terms of reference of the committee on its website, published the same on the website of the Stock Exchange for enquiry of investors.</li> </ul>
B1.4 Should be provided with sufficient resources to perform its duties	Yes	<ul style="list-style-type: none"> <li>The Company will provide sufficient resources for the committee to perform its duties.</li> </ul>
B1.5 The issuer should disclose details of any remuneration payable to members of senior management by band in its annual reports	Yes	<ul style="list-style-type: none"> <li>The Company has disclosed the remuneration of each of its Directors, Supervisors and members of senior management with their names in the annual report and accounts. For details, please refer to the chapter headed "Directors, Supervisors, Senior Management and Staff" in this annual report.</li> </ul>
B1.6 Details about any objection of the remuneration committee to the Board's resolution on remuneration shall be disclosed in the Corporate Governance Report	Yes	<ul style="list-style-type: none"> <li>The Board and the Remuneration and Appraisal Committee did not see such matter as referred to in the provision to have occurred during the Reporting Period.</li> </ul>
B1.7 A significant proportion of executive directors' remuneration should link rewards to corporate and individual performance	Yes	<ul style="list-style-type: none"> <li>The total remuneration of each of the executive Director and senior management staff comprises three parts, which is salary for the position, performance bonus and the Company's contribution to their pension scheme and other benefits. The remuneration has been generally linked with the Company's and individual performance.</li> </ul>
B1.8 Issuer should disclose details of any remuneration payable to the members of senior management, on a named basis in the annual report	Yes	<ul style="list-style-type: none"> <li>The Company has disclosed the remuneration of each of its Directors, Supervisors and members of senior management with their names in the annual report and accounts. For details please refer to "Directors, Supervisors, Senior Management and Staff" in Section VII of this annual report.</li> </ul>
B1.9 The Board should conduct a regular evaluation of its performance	Yes	<ul style="list-style-type: none"> <li>The Board and the Remuneration and Appraisal Committee are responsible for the appraisal of the Company's management members, and the establishment of various performance objectives including operating revenue, costs of operations, profit indicators and objectives for the respective operations. After the consideration and approval by the Board at the beginning of the Reporting Period, the Company assigned specific tasks to various functional departments of operations. The persons-in-charge of the respective departments then entered into annual responsibility letters with the general manager of the Company. At the end of the Reporting Period, the Board assessed the management's performance based on the extent of satisfaction with various objectives.</li> </ul>

## CORPORATE GOVERNANCE

### C. Accountability and audit

#### C1. Financial reporting

- |                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|---------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Code principle</b>                       | <ul style="list-style-type: none"> <li>The Board should present a clear, comprehensible assessment of the Company's performance, position and prospects.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>The best corporate governance status</b> | <ul style="list-style-type: none"> <li>The Board has strived to provide comprehensive information in all regular financial reports issued to Shareholders so as to comply with the regulatory requirements of the Stock Exchange and the SSE, and kept improving the management discussion and analysis to give a comprehensive disclosure on the Company's production and operation, finance and project development. Meanwhile, it has also taken the initiative to increase the substance of information, including information on the Company's operating environment, development strategies and corporate culture, and to enhance the corporate governance report, so as to give a comprehensive, objective, fair and clear presentation of the Group's operating management status and prospects.</li> </ul> |

#### Code provision

#### Compliance Corporate governance procedures

- | Code provision                                                                                                                                                                                                                                                                                                                                              | Compliance | Corporate governance procedures                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| C1.1 Management will provide sufficient explanation and information to enable the Board to make an informed assessment of the relevant matters                                                                                                                                                                                                              | Yes        | <ul style="list-style-type: none"> <li>The management of the Company has provided comprehensive reports on the Company's business progress, financial objectives, development plans and strategic plans to the Board at all Board meetings to enable all Directors to make well-grounded assessment on the financial and other information submitted to them for approval.</li> </ul>                                                                                                       |
| C1.2 Management should provide all members of the Board with monthly updates to present the issuer's operating or financial performance and give a balanced and understandable assessment of the financial status and prospects in sufficient detail to enable the Directors to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. | Yes        | <ul style="list-style-type: none"> <li>According to the new requirements under the HK Corporate Governance Code, the Company has submitted to each Director "Operations Bulletin" or other information that needs to be reviewed by Directors on a monthly basis from year 2012 and submitted general manager's work report on a quarterly basis to the extent sufficient enough to allow the Directors to acquire details about the Company's interim operation and management.</li> </ul> |

# CORPORATE GOVERNANCE

Code provision	Compliance	Corporate governance procedures
<p>C1.3 Directors should acknowledge their responsibility for preparing the accounts; there shall be a statement by the auditors about their reporting responsibilities in the report. Where the directors are aware of material uncertainties relating to events or conditions that may cast significant doubt on the issuer's ability to continue as a going concern they should be clearly and prominently disclosed and discussed at length in the Corporate Governance Report</p>	<p>Yes</p>	<ul style="list-style-type: none"> <li>• Directors are responsible for overseeing the preparation of annual accounts so that the accounts could give a true and fair view of the Group's results and cash flow in the relevant year. The auditors' report also stated the reporting responsibilities of Directors.</li> <li>• The Company was not aware of any material uncertainties relating to events or conditions that might cast significant doubt on the Company ability to continue as a going concern.</li> </ul>
<p>C1.4 The directors should include in the separate statement containing a discussion and analysis of the group's performance in the annual report, an explanation of the basis on which the issuer generates or preserves value over the longer term (the business model) and the strategy for delivering the issuer's objectives</p>	<p>Yes</p>	<ul style="list-style-type: none"> <li>• The Company included in its annual report a separate section containing a comprehensive and detailed discussion on the Company's business development environment, performance of each business, future risks and development strategies. For details, please refer to the section headed "Report of the Directors" of this annual report.</li> </ul>
<p>C1.5 The Board should present a balanced, clear and understandable assessment of the Company's performance in periodic reports, price-sensitive announcements and other financial disclosures</p>	<p>Yes</p>	<ul style="list-style-type: none"> <li>• The Board gave an objective, fair and clear presentation of the Group's position and prospects in all announcements issued to Shareholders.</li> </ul>
<p><b>Recommended best practices:</b></p> <ul style="list-style-type: none"> <li>• Apart from issuing reports on annual results and interim results, the Company has prepared and issued the reports on the results that cover the first and third quarters of the year pursuant to the requirements of the SSE. The Company announced and issued quarterly financial results within 30 days after the end of the relevant quarter. The information disclosed would be sufficient for the Shareholders to assess the performance, financial position and prospects of the Company.</li> </ul>		
<p>C2. Internal control</p>		
<p><b>Code principle</b></p>		<ul style="list-style-type: none"> <li>• The Board should ensure that the issuer maintains sound and effective internal controls to safeguard shareholders' investment and the issuer's assets.</li> </ul>

## CORPORATE GOVERNANCE

### The best corporate governance status

- The Board has authorized the management of the Company to establish and implement the internal control system and conduct review on the financial, operating and regulatory procedures from time to time to safeguard the Group's assets and shareholders' interests. During the Reporting Period, the Board had conducted a self-evaluation on the Company's internal control and did not find any significant weakness in the design or implementation of the internal control system. For details, please refer to the section "2014 Evaluation Report on Internal Control" in this annual report.
- The Company has established the internal audit department within the organization framework to conduct regular review, supervision and assessment on the financial position, operating and internal control activities according to different businesses and flow. It has also engaged external audit institutions to regularly audit the financial reports and effectiveness of internal control of the Company and to offer independent and objective assessments and suggestions in the form of audit reports.

### Code provision

### Compliance Corporate governance procedures

C2.1 Directors should at least annually conduct a review of the effectiveness of the internal control systems (including financial control, operating control, compliance control and risk management functions)

Yes

- Currently, the Company has established the internal control system. During the Reporting Period, the Company's internal audit department and external independent auditor have conducted preliminary review, rectification, audit and evaluation of the effectiveness of the establishment and implementation of the internal control system respectively, and ensured that a comprehensive audit covering all businesses and management activities within the scope of internal control was carried out each year. For details, please refer to the section headed "2014 Self-evaluation Report on Internal Control of the Company by the Board" in this annual report.



## CORPORATE GOVERNANCE

C2.2 The Board's review should, in particular, consider the adequacy of resources, staff qualifications and experience of the issuer's financial reporting function	Yes	<ul style="list-style-type: none"><li>The Company has sufficient resources to support the launch of the financial reporting functions. The relevant employees also possess the qualifications and experiences required for their corresponding positions, and have the opportunity to receive professional training in this area each year.</li></ul>
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**Recommended best practices:**

- During the Reporting Period, the Company had conducted an inspection and a self-evaluation of the rationality of the internal control policy as well as the comprehensiveness, effectiveness, operation and implementation of the internal control system in five aspects covering control environment, risk identification and assessment, control measures, information and communication as well as supervision and inspection. The coverage review included but was not limited to those items under provision C.2.3 and C.2.4 of the HK Corporate Governance Code. For the findings of the review, please refer to the section headed "Self-evaluation Report on Internal Control of the Company by the Board" in this annual report.
- The Company has ensured that the information disclosed in all announcements issued to Shareholders are meaningful and do not contain misrepresentations, misleading statements or material omissions. All Directors have warranted that the announcements do not contain misrepresentations, misleading statements or material omissions and are jointly and severally responsible for the truthfulness, accuracy and completeness of the statements contained therein.

C3. Audit Committee

**Code principle**

- The audit committee should have clear terms of reference, including the establishment of arrangements for considering how it will apply the financial reporting and internal control principles and maintain an appropriate relationship with the company's auditors.

## CORPORATE GOVERNANCE

### The best corporate governance status

- The Company has established the Audit Committee and Chen Dong Hua, Zhang Er Zhen and Du Wen Yi are members of the committee. All of them have expertise and experience in financial management. All members are non-executive Directors, of whom Chen Dong Hua and Zhang Er Zhen are independent non-executive Directors. Mr. Chen Dong Hua is an independent non-executive Director possessing professional qualifications and experience in financial management. He took up the position as the chairman of the committee.
- The Audit Committee is principally responsible for supervising and implementing the internal audit system of the Company and its subsidiaries; examining the financial information and information disclosure of the Company and its subsidiaries; supervising the internal control system of the Company and its subsidiaries, including financial control and risk management; auditing material connected/related transactions; and communicating, supervising and reviewing the internal and external audits of the Company. The terms of reference is specified clearly in the "Rules of Reference of the Audit Committee".
- The Audit Committee held five meetings in 2014, including four meetings to review periodic reports and one meeting to discuss matters in preparation for the commencement of the audit work with respect to the 2014 annual results of the Group. At such meetings, all members attended, and the management and the financial controller reported on the financial position of the Company and major matters related to internal controls.
- During the Reporting Period, the Audit Committee had made one direct contact with external auditors of the Company, before the preparation of the annual audit report, to understand the procedures and principles regarding the preparation of the auditors' report, and to discuss the relevant issues with the auditors, so as to lay a foundation for evaluation.

### Code provision

### Compliance Corporate governance procedures

Code provision	Compliance	Corporate governance procedures
C3.1 Full minutes of the Audit Committee meetings should be kept by a duly appointed secretary (company secretary in general) and the drafted and finalized minutes of the meetings shall be delivered to all members of the committee in a reasonable period. The drafted minutes are provided to the members for expressing opinions and the finalized minutes are kept for record.	Yes	<ul style="list-style-type: none"> <li>• The Secretary to the Board has been responsible for compiling and keeping the minutes and relevant meeting materials of the committee. The minutes reflected the consideration and voting situations of the meetings in an objective and detailed manner and were signed by all Directors attending the meetings for confirmation.</li> </ul>
C3.2 A former partner of the existing auditors should be prohibited from acting as a member of the audit committee	Yes	<ul style="list-style-type: none"> <li>• None of the Audit Committee members is a former partner of the external auditors.</li> </ul>

## CORPORATE GOVERNANCE

Code provision	Compliance	Corporate governance procedures
C3.3 Terms of reference of the audit committee	Yes	<ul style="list-style-type: none"> <li>The Company has formulated the “Rules of Procedure of the Audit Committee” which specify the terms of reference and work procedures of the committee and the authority granted by the Board in order to comply with the requirements under the provisions.</li> </ul>
C3.4 The audit committee should make available its terms of reference on the websites of the Company and the Stock Exchange	Yes	<ul style="list-style-type: none"> <li>The Company has made available the terms of reference of the committee on its website, and published the same on the website of the Stock Exchange for enquiry of investors.</li> </ul>
C3.5 The Board should obtain opinions from the audit committee on the selection, appointment or removal of external auditors	Yes	<ul style="list-style-type: none"> <li>The Audit Committee makes recommendations on the selection, appointment or removal of external auditors to the Board, subject to approval at the general meeting after consideration by the Board.</li> </ul>
C3.6 The audit committee should be provided with sufficient resources to perform its duties	Yes	<ul style="list-style-type: none"> <li>The Audit Committee may have timely access to relevant information and seek necessary independent professional advices pursuant to the established procedures at the expense of the Company. During the Reporting Period, the Company engaged an independent financial adviser, a valuer and an auditor to provide professional advice in respect of the participation in the capital increase of Yanjiang Company.</li> </ul>
C3.7 The audit committee should act as a key representative body for overseeing the issuer’s relations with the external auditors	Yes	<ul style="list-style-type: none"> <li>The Audit Committee played a functional role in coordinating the Company with the external auditors by maintaining adequate communications over audit-related matters, and was responsible for overseeing the relationship between the Company and the auditors to ensure the independence of the auditors.</li> </ul>

# CORPORATE GOVERNANCE

Code provision

Compliance Corporate governance procedures

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## Recommended best practices:

- The Company has clearly defined the relevant responsibilities and terms of reference of the Audit Committee and the internal disciplinary inspection and supervision department, established a reporting mechanism, set up and made known a dedicated reporting telephone line and e-mail address as confidential channels for the employees and other stakeholders of the Company to report inappropriate matters to the Audit Committee and the internal disciplinary inspection and supervision department.

## Q. Delegation by the Board

### D1. Management functions

#### Code principle

- The issuer should specify matters reserved to the Board for its decision and those delegated to the management and should give directions to the management as to the matters that must be approved by the Board.

#### The best corporate governance status

- The main functions and duties of the Board include convening the Shareholders' general meetings; making decisions on the Company's operational plans, investment proposals and establishment of the internal management organization; preparing the Company's annual budget, final accounts and profit distribution scheme; formulating corporate merger, demerger, dissolution proposals and significant acquisition or sale proposals; and implementing the resolutions passed at the Shareholders' general meetings.
- The articles of association of the Company and the Rules of Procedure for the Board of Directors explicitly state the matters reserved for consideration and approval by the Board. For the implementation of certain major projects, the Board may, after its consideration and approval, set up a committee or panel consisting of two or more Directors where appropriate, and empower such committee or panel with some powers, authorities, and discretions vested in it to ensure the smooth implementation and efficient execution of relevant resolution. The committee or panel hereof must act within the scope of authorization granted by the Board and shall report to the Board on any act that goes beyond the scope of authorization.

# CORPORATE GOVERNANCE

Code provision	Compliance	Corporate governance procedures
D1.1 When the Board delegates aspects of its management and administration functions to the management, it must, at the same time, give clear directions as to the management's powers	Yes	<ul style="list-style-type: none"> <li>The management is accountable to the Board. Its main functions and duties include taking charge of the Company's production and operation management, organization and implementation of the annual business plans and investment proposals approved by the Board, and implementation of the resolutions passed by the Board. When exercising its power, the management cannot surpass its terms of reference and resolutions of Board meetings. The Board has issued clear guidelines on the rights and responsibilities of the management.</li> </ul>
D1.2 An issuer should separately identify functions reserved to the Board and those delegated to the management and reviews these arrangements on a regular basis	Yes	<ul style="list-style-type: none"> <li>The Company has specified the terms of reference of the management and the matters required to be resolved by the Board in the "Rules of Reference to General Manager" and reviewed the same regularly.</li> </ul>
D1.3 An issuer should disclose the respective responsibilities, accountabilities and contributions of the Board and management	Yes	<ul style="list-style-type: none"> <li>The Company has specified the separate functions and duties between the Board and the management in its articles of association, the "Rules of Procedure for the Board of Director" and the "Rules of Reference to General Manager" which have been made available on the Company's website. The Company also reviews the performance of the Board and the management in its annual report every year.</li> </ul>
D1.4 Directors should clearly understand delegation arrangements in place. Issuers should have formal letters of appointment for directors	Yes	<ul style="list-style-type: none"> <li>Each newly appointed Director has received a formal letter of appointment setting out the key terms and conditions of the appointment. Meanwhile, the Board has followed the relevant authorization procedures when delegating the relevant powers.</li> </ul>
D2. Board committees		
<b>Code principle</b>		<ul style="list-style-type: none"> <li>Board committees should be formed with specific written terms of reference which deal clearly with their authority and duties.</li> </ul>

## CORPORATE GOVERNANCE

### The best corporate governance status

- The Board has established four specialized committees, including the Strategy Committee, the Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee. The Board selects and appoints members of each committee after taking into account the expertise and experience of each Director so that each committee can carry out its work with high efficiency. Most members of the Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee are independent non-executive Directors.
- Each committee has defined work rules which deal clearly with the committee's authority and duties as well as the procedures for handling business.
- The committees hold meetings regularly and report their work progress and discussion results to the Board. Most committee members have actively participated in their respective committee's affairs. The Secretary to the Board offers a comprehensive assistance to facilitate the commencement of work of all committees.

### Records of attendance of meetings of specialized committees in 2014 (Attendance/Number of Meetings)

Name	Position	Strategy Committee	Audit Committee	Nomination Committee	Remuneration and Appraisal Committee
Yang Gen Lin	Chairman	3/3	—	—	—
Qian Yong Xiang	Executive Director	3/3	—	—	—
Chen Xiang Hui	Non-executive Director	3/3	—	—	—
Zhang Yang	Non-executive Director	—	—	2/2	1/1
Du Wen Yi	Non-executive Director	—	5/5	—	—
Cheng Chang Yung Tsung, Alice	Non-executive Director	3/3	—	—	—
Fang Hung, Kenneth	Non-executive Director	—	—	2/2	1/1
Zhang Er Zhen	Director Independent non-executive	—	—	2/2	1/1
Xu Chang Xin	Director Independent non-executive	—	—	2/2	1/1
Gao Bo	Director Independent non-executive	—	5/5	2/2	1/1
Chen Dong Hua	Director	3/3	5/5	—	—

For the 2014 work report of the respective committees, please refer to this Chapter.

## CORPORATE GOVERNANCE

Code provision	Compliance	Corporate governance procedures
D2.1 The Board should give the committees sufficiently clear terms of reference to enable them to perform their functions properly.	Yes	<ul style="list-style-type: none"> <li>The four committees under the Board have adopted their respective detailed rules of operation to provide guidance on their decision-making procedures and performance of duties. For the terms of reference of the committees, please see "A4. Appointment, Re-election and Removal", "B1. The Level and Make-up of Remuneration and Disclosure" and "C3. Audit Committee".</li> </ul>
D2.2 The terms of reference of the committees should require them to report back to the Board on their decisions or recommendations.	Yes	<ul style="list-style-type: none"> <li>The committees have reported their decisions and recommendations to the Board after each meeting, and submitted to the Board for consideration the matters required to be decided by the Board.</li> </ul>
D3. Corporate governance function		

Code provision	Compliance	Corporate governance procedures
D3.1 The terms of reference of the Board should include corporate governance duties	Yes	<ul style="list-style-type: none"> <li>The Board assumes the responsibilities for corporate governance, supervises the management to establish a compliant organizational structure and system, follows the HK Corporate Governance Code, other legal and regulatory requirements in the course of carrying out day-to-day operation and management, and makes a conclusion and a review in the annual report.</li> </ul>
D3.2 The Board should be responsible for performing the corporate governance duties or it may delegate the responsibility to a committee or committees.	Yes	<ul style="list-style-type: none"> <li>The Company's corporate governance duties are undertaken by the Board directly, and the Company has neither set up a specialized committee to undertake such responsibilities nor assigned such duties to other committees.</li> </ul>

### E. Communication with Shareholders

#### E1. Effective Communication

<b>Code principle</b>	<ul style="list-style-type: none"> <li>The Board should be responsible for maintaining an on-going dialogue with Shareholders and, in particular, rely on annual general meetings or other general meetings to communicate with them and encourage their participation.</li> </ul>
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## CORPORATE GOVERNANCE

### The best corporate governance status

- The Board endeavours to maintain on-going communication with the Shareholders and regarded annual general meetings and other extraordinary general meetings as key opportunities to contact individual Shareholders. The Company dispatches Shareholders' circular at least 21 days before the date of a general meeting. The Company dispatches the notice for an annual general meeting, which set out the matters to be considered at the meeting and the voting procedures in detail, at least 45 days before the date of that particular meeting. All Shareholders are entitled to attend a general meeting.

### Code provision

### Compliance Corporate governance procedures

E1.1	In respect of each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting	Yes	<ul style="list-style-type: none"> <li>Separate resolutions were proposed at the general meeting on each of the substantially separate issues, including the election of Directors. No resolutions were proposed in a bundle.</li> </ul>
E1.2	The chairman of the Board should attend the annual general meeting and arrange for the chairmen or members of the committees to be available to answer questions raised by shareholders at the meeting. The management should ensure that the external auditors attend the annual general meeting	Yes	<ul style="list-style-type: none"> <li>The Chairman has attended and presided over the annual general meeting and has arranged for the representatives of all committees and the management of the Company to be available to answer questions raised by Shareholders at the meeting. Each year, independent Directors give their independent opinions and report to Shareholders on matters that are subject to independent Shareholders' approval, and answer questions raised by Shareholders at the general meeting. The Company also arranged for the representatives of the external auditors to attend the annual general meeting to answer relevant questions if necessary or to act as a scrutineer of the meeting.</li> </ul>
E1.3	The issuer should give notice of at least 20 business days prior to an annual general meeting and at least 10 business days prior to an extraordinary general meeting	Yes	<ul style="list-style-type: none"> <li>Pursuant to other relevant requirements, the Company gave notice of at least 45 days prior to any general meeting, which was in full compliance with the requirements of the code provisions.</li> </ul>
E1.4	The Board should establish a shareholders' communication policy and review it on a regular basis to ensure its effectiveness.	Yes	<ul style="list-style-type: none"> <li>The secretary to the Board is specifically responsible for the day-to-day communications with Shareholders. The Company has published the relevant communication methods on the website and in the relevant announcements. Shareholders have had smooth channels to make enquiries to the Company, and the Company has also arranged for specific personnel to promptly respond to the same.</li> </ul>

### E2. Voting by Poll

#### Code principle

- The issuer should ensure that shareholders are familiar with the detailed procedures for conducting a poll.



## CORPORATE GOVERNANCE

### The best corporate governance status

- The Company has formulated the “Rules of Procedure for General Meetings” specifying the voting method and procedures of Shareholders’ general meetings and ensured that the procedures comply with the requirements contained in the Listing Rules and the articles of association of the Company. The Company also stated detailed procedures for the voting by poll in the notice of a general meeting.
- The Company confirmed the validity of all the voting shares present at the meetings, and appointed external auditors and Shareholders’ representatives as scrutineers and lawyers to issue legal opinions on the final voting results. The voting results have been published in designated newspapers and websites.

### Code provision

### Compliance Corporate governance procedures

E2.1 The chairman of a meeting should explain the procedures for voting by poll and for raising questions by shareholders before the commencement of the meeting

Yes

- The notice of a general meeting and the related circular contained the details of the matters for consideration at the meeting and the voting procedures. Such procedures were also explained at the meeting. The chairman of the meeting disclosed the voting rights represented by proxies during voting. The chairman of the meeting took care of the meeting procedures, dealt with questions raised by Shareholders, and conducted a poll after all Shareholders had gained a full understanding of the resolutions.

## F. Company Secretary

### Code principle

- The company secretary plays an important role in supporting the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. The company secretary is responsible for advising the Board through the chairman and/or the chief executive on governance matters and should also facilitate induction and professional development of directors.

### The best corporate governance status

- The Company assigned a member of the senior management as the Secretary to the Board to assume the role of company secretary at Board meetings, and set up a specialized office of the Secretary to the Board in order to ensure the availability of resources for its smooth operation. The Company established the Work Rules for the Secretary to the Board, setting out its terms of reference and job responsibilities. The Secretary to the Board takes a major role in the operation of the Board and various specialized committees as well as in the maintenance of corporate governance. In addition, the Company engaged an external legal advisor to assist in dealing with the compliance matters relating to the Hong Kong Companies Ordinance and the Hong Kong Listing Rules.
- The Secretary to the Board received more than 15 hours of professional training in 2014.

## CORPORATE GOVERNANCE

Code provision	Compliance	Corporate governance procedures
F1.1 The company secretary should be an employee of the issuer	No	<ul style="list-style-type: none"> <li>The Secretary to the Board is concurrently served by Mr. Yao Yong Jia, deputy general manager of the Company. Pursuant to the relevant requirements of Stock Exchange, as Mr. Yao from the Company has met the relevant qualifications of the company secretary in Hong Kong, Mr. Yao held the position as the company secretary.</li> </ul>
F1.2 The Board should approve the selection, appointment or dismissal of the company secretary.	Yes	<ul style="list-style-type: none"> <li>The selection and appointment of the Secretary to the Board and the Company Secretary were in compliance with the relevant requirements of the code provision.</li> </ul>
F1.3 The company secretary should report to the Board chairman or the chief executive.	Yes	<ul style="list-style-type: none"> <li>The Secretary to the Board and the company secretary are responsible for regularly providing all information to the Directors and supervisors, including the documents for each meeting of the Board, specialized committees and the Supervisory Committee; providing Company's business progress report, financial objectives, development plans and strategic programs as well as the latest information on the Listing Rules and other statutory requirements; and continuously improving the quality and timeliness of the information to ensure that Directors, supervisors and senior management staff of the Company are able to make decisions and fulfill the duties and responsibilities with the availability of such information.</li> </ul>
F1.4 All directors should have access to the advice and services of the company secretary to ensure that Board procedures, and all applicable law, rules and regulations, are followed.	Yes	<ul style="list-style-type: none"> <li>The Secretary to the Board maintained close communication with all Directors and provided timely material information about the Company and the relevant updated rules, as well as contributed advice to the Directors on matters regarding corporate governance and regulatory compliance to ensure that the Board's operation was in compliance with the procedures. In respect of the matters relating to the Hong Kong Listing Rules and Hong Kong Company Ordinance, the Secretary to the Board kept close contact with the company secretary.</li> </ul>

### IV. Information disclosure

The Company has been striving to strictly comply with the relevant laws and Listing Rules on information disclosure in adherence to the principles of fairness, equality and openness in order to dutifully perform its statutory disclosure obligations. On top of this, the Company has actively gained an understanding of the key concerns of investors and enhanced the extent of voluntary disclosure. Moreover, it emphasizes on maintaining a deep and through analysis of its operation, financial situation and the major reasons affecting business performance, and provided relevant risks in operation activities and its corresponding mitigating measures so as to increase investors' understanding of the Company's business, management and development prospects and increase transparency of the Company.

## CORPORATE GOVERNANCE

As the regulatory ideas evolve, information disclosure has become the core regulatory work of listed companies. In particular, with the implementation of direct information disclosure, the focus of regulatory works has shifted from conducting pre-works to after-works, while the way of monitoring has changed from reviewing and checking to assessment and supervision, and information disclosure has thoroughly become an autonomous act of listed companies. Therefore, the preparation of information disclosure by the Company at the early stage has become even more significant. Through the promotion of our self-management capability on information disclosure in different aspects, the quality of such disclosure by the Company will be of assurance and in avoidance of mistakes. During the Reporting Period, the “Administrative Measures for the Disclosure of Information” of the Company has been strictly implemented. In accordance with the statutory disclosure requirements, announcements were simultaneously published on major matters in the PRC and overseas to disclose in details important corporate information on operating results, financial information, dividend payment, daily operations, project investments, financing activities, related/connected transactions, Shareholders’ general meetings, the Board and the Supervisory Committee as well as the development of significant events.

During the year, all the contents and procedures on information disclosure provided and carried out by the Company was strictly in compliance with relevant requirements under the Listing Rules for disclosure in Hong Kong and Shanghai. Announcements of the Company were published in the China Securities Journal and Shanghai Securities News and on the websites of the SSE ([www.sse.com.cn](http://www.sse.com.cn)), the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.jsexpressway.com](http://www.jsexpressway.com)).

### V. Investor relations and communications

Investor relations are vital for the maximization of the Company’s value and the protection of investors’ interests. Great importance has always been attached to investor relation for the purpose of management of the Company, and formulated the “Work System of Investor Relations Management” to reinforce investor relations management from the perspectives of management structure and internal system.

During the Reporting Period, in order to carry through the aim of the “Opinions in Relation to Further Strengthening the Protection of the Legal Interests of Medium and Small Investors in the Capital Market” as well as to actively perform the obligations and rights of listed companies, the Company proactively assisted in the regulatory authorities in strengthening the education on the protection of investors. The Company was recognised as a model of one of the best companies in terms of distribution of cash dividend by the SSE and Securities Regulatory Commission in Jiangsu, with a series of feature reports made on the Company. Through publishing these ideas, on the one hand, investors were guided to develop a concept of making long-term and rational investment under the culture of active advocacy on the return of shareholders’ interests, so as to cultivate a harmonious atmosphere and win-win situation for valued investment and financing activities for the benefit of the continuous healthy development of the capital market of the PRC. On the other hand, good corporate governance assisted the Company in establishing a positive image in the capital market in full demonstration of the integrity and attitude of the Company as a public company in the market as well as the consciousness of social responsibility to act in the best interests of its Shareholders. This could help strengthen the confidence of investors for their long-term support to the Company.

The core of investor relations lies with effective communication. The Company continued to enhance proactive communication. Through various platforms and channels, the Company strengthened its effective communication with all domestic and overseas investment funds and analysts who were keeping eyes on the Company, delivered positive signals, reinforced market confidence, and created a favourable atmosphere for investment in the market. By launching various promotional activities, including organising roadshows and press conferences on the Company’s performance and participating in various investment forums, we could achieve communications with investors on face-to-face occasions. Meanwhile, the Company made relatively substantial adjustments on the contents of the “investment relation” column by way of informationalization and upgrade of portal website. The Company also gained the experience in website construction from various large-scale A-share and H-share listed companies to adjust the setting of columns and arrangement of contents so as to comply with regulatory requirements and satisfy the needs of investors. In doing so, we could facilitate an easy access to the information, and the interaction and communication between the Company and the investors.

## CORPORATE GOVERNANCE

During the Reporting Period, the major activities on investment relation carried out by the Company included the following:

- ◇ Prompt responses were made to investors' inquiries through E-interaction platform of the SSE, the investor hotline, company website and e-mail; operational data was sent to investors on a regular basis.
- ◇ Field trips to the Company by investors and analysts or specific teleconferences: 12 batches of visit to the Company by domestic and foreign investors (19 persons in total) were organized in 2014.
- ◇ Various promotional activities, including roadshows and press conferences for results announcement presentations, foreign roadshows, various investor forums and face-to-face discussions with investors, were conducted. Six major presentations were attended or organized in 2014 with details as follows:

January — Participated in the annual "Investment Conference" organized by Deutsche Bank.

March — Held 2013 annual results presentation and investor roadshow activities in Hong Kong

August — Held 2014 interim results presentation and investor roadshow activities in Hong Kong

September — Participated in annual investment promotional seminar organized by Nomura

October — Participated in investment conference under the theme of Shanghai-Hong Kong Stock Connect organized by UBS AG and Haitong Securities.

### VI. Investor return mechanism

While capitalizing on the rapid development of the capital market, the Company also understands clearly that investors are the driving source for the development of the Company. The Company appreciated the importance of bringing positive returns to shareholders as its mission and business principle, and strives to enable investors to better share with the Company the results from its development and guide investors to establish long-term and rational investment ideas in the achievement of a virtuous cycle of capital. The Company sets up a positive and stable dividend policy as set out in its articles of association, aiming to create higher returns for the Shareholders.

In respect of its implementation, the Company formulated a reasonable dividend distribution mechanism in light of its emphasis on its social responsibility, and actively advocated the equity culture of shareholder returns, so as to foster harmonious and win-win environments for valued investment and financing activities, and make due efforts and contributions to promotion of the sustainable and healthy development of capital markets. Since its listing, the Company has been paying cash dividends for 17 consecutive years. At the end of 2014, the Company had distributed an aggregate of approximately RMB19.326 billion cash dividends, with average payout ratio reaching 75% and accumulated dividend per share amounting to RMB3.8417, thus enabling Shareholders to enjoy good returns from the development of the Company.

In 2014, the Company distributed a cash dividend of RMB0.38 per Share, and the payout ratio reached 74.35%.

	2007	2008	2009	2010	2011	2012	2013	2014
Earnings per share (RMB)*	0.318	0.308	0.399	0.493	0.482	0.463	0.538	0.511
Dividend per share (tax inclusive) (RMB)	0.27	0.27	0.31	0.36	0.36	0.36	0.38	0.38
Payout ratio (%)	84.90	87.66	77.66	73.0	74.64	77.72	70.70	74.35

\* Earnings per share refer to the basis of profit for distribution of dividends.

Ensuring a long-term and stable return for Shareholders remains the top priority which the Company has been persisting in. Taking into account both the long-term benefits and current income of its investors, the Company will maintain a stable dividend policy in the coming years.

# INTERNAL CONTROL

## I. Development and Implementation of Internal Control

The Board authorizes the management of the Company to establish and implement the internal control system and relevant policies, and to review the financial, operational and supervisory control procedures from time to time for safeguarding the assets of the Group and the interests of shareholders. The Audit Committee under the Board has been established to inspect, monitor and evaluate the Company's financial position, business and internal control activities on a regular basis and rectifications will be made promptly once defects are identified. As such, a sound and effective internal control system has been gradually built up.

In 2011, with the professional support of the intermediaries and based on the existing management documentation system, the Group smoothened and diagnosed anew various aspects company wide (including major subsidiaries) such as organizational structure, management system, business processes and control system pursuant to the "Basic Standards for Enterprise Internal Control" and other relevant national laws and regulations, and with reference to the "Application Guidelines on Corporate Internal Control". With focus on the five core elements (internal environment, risk assessment, control activities, information and communication, and internal supervision and inspection) and taking into account the its industry characteristics and actual operating conditions, the Company promptly carried out rectification and improvement specifically to the defects in the design aspect of the internal control system. At the end of 2011, the Company had established a more mature "integrated four-standard" internal control management system comprising the general system, business system, well-being system, maintenance system and operational system, as well as a quality management manual, thus gradually improving the establishment of the Company's internal control system.

Pursuant to the requirements of the relevant laws and regulations including the Company Law, Accounting Law, PRC Accounting Standards, Basic Standards for Enterprise Internal Control and Application Guidelines on Corporate Internal Control, the Company has established a relatively complete accounting system, and has developed a series of control policies regarding the relevant procedures on financial report including the Financial Management Policy, the Measures Governing Budget, the Measures Governing Costs and Expenses and the Contract Management Policy, to govern the financial management process, thus having effectively ensured the authenticity and reliability of financial information. Meanwhile, the Company has established the Measures Governing Information Disclosure to ensure financial information published on a regular basis is truthful, accurate, complete and in strict compliance with the relevant disclosure requirements of the stock exchanges in Shanghai and Hong Kong.

The Company formulated and improved in 2013 the Measures on Procurement Audit for Materials, the Measures Governing Internal Audit, the Measures Governing Appraisal of Internal Control, the Standards for Determination of Defects in Internal Control, 2013 Appraisal Plan for Internal Control and the Implementation Proposal on Whole Tracking Audit Process on Construction Project and revised some management systems to enhance risk prevention ability. In order to advance the establishment and perfection of the internal control system and ensure its high quality operation, the Company engaged Protiviti to provide technical support. Protiviti assisted the Company in the preparation of the internal control appraisal handbook and the risk control matrix, providing basis for the Company's internal control audit and appraisal. Furthermore, the Company formed a part-time team to audit its internal control system, which comprised elected experienced management members, to carry out comprehensive and effective supervision and appraisal of internal control implementation.

During 2013, in order to optimize the procedure for conducting internal control assessment, the Company followed the relevant requirements under the Guideline for Enterprise Internal Control and the Guideline for Enterprise Internal Audit and took into consideration the scale, industrial characteristics, risk preferences and risk resistance level of the Company and finally determined the specific standards applicable to the internal control defects of the Company. Such standards were determined mainly based on the actual or potential impacts of the misreporting on financial figures or amount of loss on assets on enterprises when internal control defects were found. The Company formulated quantitative and qualitative standards for financial or non-financial purposes.

For 2014, material, important and common defects in the process of internal assessment was determined based on the quantitative and qualitative standards of the Company.

During the year, the Company adopted the same evaluation model as previous year and established a regular system for internal control assessment. The internal control assessment comprises individual appraisal conducted by the Company and the self-evaluation conducted by certain secondary units and subsidiaries while the priority is given to the latter. The assessment system adopts a unified risk control matrix for internal control which will examine point on risk control one by one. With self-evaluation as its first checkpoint and individual appraisal as the second, the Company can control the risks from the very beginning, so as to enhance our management level and thus ensure a sound and effective corporate internal control. Regarding to weaknesses and common defects spotted by internal audit and self-evaluation, careful analysis will be conducted by the internal control department of the Company to figure out relevant improvement suggestions and measures while the rectification of the defects spotted in our internal control will be included in the list for key inspection, through which, inspection and rectification will be carried out one by one and the implementation thereof will be strictly followed up, so as to guarantee no occurrence of repeated and material defects as well as the effectiveness of rectification on common defects.

## INTERNAL CONTROL

Besides, the Company continues to strengthen the execution of the internal system for all departments and units and promote “innovative concepts and different styles with risk prevention and enhanced management” as a key task during daily management.

The Company selected to disclose its internal control and self-evaluation report.

### II. Relevant Details of Internal Control Audit Report

The Company has set up a special body responsible for the establishment of a sound internal control system and the supervision of the implementation of such system. The audit committee, as the leading supervising authority of internal control, is responsible for conducting an annual assessment of the establishment and implementation of internal control, prepares an annual assessment report in respect here and report the same to the Board. Meanwhile, the internal audit department, as the executing authority of internal control, is responsible for conducting ongoing supervision and regular review of the internal control system. In 2014, the Company has set up a self-evaluation team of internal control in the Company to conduct review and evaluation on the effectiveness of the design and operation of important control pursuant to the requirements of the “Application Guidelines on Corporate Internal Control” and the “Guidelines on Evaluation of Corporate Internal Control” and in light of the actual operating situation of the Company. Such review and evaluation were carried out according to five aspects including control environment, risk identification and assessment, control measures, information and communication, and supervision and inspection.

With basic evaluations on various core components in the internal control system as well as inspection, supervision and evaluation implemented during the year, the Board was of the view that the Company’s internal control system and its implementation were basically sound and effective during the period from 1 January this year to the end of this Reporting Period, and has fulfilled the requirements of various aspects including corporate governance, operation, management, finance, investment and administration and human resources management, effectively controlling various operations management risks of the Company. No major defects were identified in the design and implementation of the internal control system. The Company will update and improve the internal control system on an ongoing basis based on potential risks and further effectively leverage the supervisory, check-and-balance and enhancement functions of the internal control system to ensure its strategies and major business objectives are set reasonably and executed effectively.

The external auditor of the Company, Deloitte Touche Tohmatsu Certified Public Accountants LLP, also has carried out an audit on the effectiveness of the internal control in the financial report ended 31 December 2014 of the Company and issued an audit report in accordance with the relevant requirements of the Audit Guidelines on Enterprise Internal Control and China Auditing Standards. They considered that the Company had maintained the effective internal control in the financial report pursuant to the Audit Guidelines on Enterprise Internal Control and other relevant stipulations.

The Company selected to disclose its internal control audit report.

### III. Accountability System for Significant Errors in Information Disclosure of Annual Report and Relevant Implementation

In order to ensure the truthfulness, accuracy, completeness and timeliness of information disclosure and to enhance the quality and transparency of information disclosure in annual reports, the Company formulated the Accountability System for Significant Errors in Information Disclosure of Annual Report in 2010.

During the preparation and disclosure of the annual report, the Company further improved pursuant to relevant laws and regulations relevant work rules of the Board, including the rules reference for independent non-executive Directors and of the Audit Committee in respect of the annual report to enable them to play a supervisory role in the preparation and disclosure of the annual report. Meanwhile, the Company made a detailed work schedule for the annual report and communicated and coordinated effectively with the accountants and the Audit Committee to ensure that the work relating to annual audit process was fully implemented.

All information set out in the annual report of the Company has been disclosed after full communication and rigorous examination and does not contain any false representation, misleading statements or material omission. During the preparation of the annual report, there was no improper performance of duties or obligations by relevant officers which may lead to leakage of information or delay in disclosure of the annual report and sequentially cause significant economic loss to the Company or adverse impact on the society.

# FINANCIAL REPORT

The financial report of the Group for 2014 were prepared under Accounting standard for Business Enterprises of China and audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP who issued standard unqualified auditor's report.

Major contents of the financial report include:

Consolidated Balance Sheet and Balance Sheet of the Company

Consolidated Income Statement and Income Statement of the Company

Consolidated Cash Flow Statement and Cash Flow Statement of the Company

Consolidated Statement of Changes in Owners' Equity and Statement of Changes in Owners' Equity of the Company

Notes to the Financial Statements

Other Supplementary Financial Information

For details, please refer to the full text of the financial report.

# AUDITOR'S REPORT

De Shi Bao (shen) Zi (15) No. P0720

## To the Shareholders of Jiangsu Expressway Co., Ltd

We have audited the accompanying financial statements of Jiangsu Expressway Co., Ltd (the "Company"), which comprise the company's and consolidated balance sheets as at 31 December 2014, and the company's and consolidated income statements, the company's and consolidated statements of changes in shareholders' equity and the company's and consolidated cash flow statements for the year then ended, and the notes to the financial statements.

### 1. Management's responsibility for the financial statements

Management of the Company is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing the financial statements in accordance with Accounting Standards for Business Enterprises to achieve fair presentation of the financial statements; (2) designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

### 2. Auditor's responsibility

Our responsibility is to express an audit opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. China Standards on Auditing require that we comply with the Code of Ethics for Chinese Certified Public Accountants and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, Certified Public Accountants consider the internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### 3. Opinion

In our opinion, the financial statements of the Company present fairly, in all material respects, the Company's and consolidated financial position as of 31 December 2014, and the Company's and consolidated results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

Deloitte Touche Tohmatsu Certified Public  
Accountants LLP  
Shanghai, China

Chinese Certified Public Accountant: Tang Jia Song  
Chinese Certified Public Accountant: Bu Jun

27 March 2015



# CONSOLIDATED BALANCE SHEET

31 December 2014

Unit: RMB

Item	Notes	Closing balance	Opening balance	Item	Notes	Closing balance	Opening balance
<b>Current Assets:</b>				<b>Current Liabilities:</b>			
Cash and bank balances	(VI)1	598,250,453	409,176,746	Short-term borrowings	(VI)18	3,360,000,000	3,220,000,000
Financial assets at fair value through profit or loss	(VI)2	38,951,822	20,175,395	Accounts payable	(VI)19	722,077,597	371,663,489
Notes receivable	(VI)3	2,518,000	149,843	Receipts in advance	(VI)20	375,331,463	412,906,626
Accounts receivable	(VI)4	96,125,706	51,443,626	Employee benefits payable	(VI)21	1,193,900	902,085
Prepayments	(VI)5	266,019,037	21,028,742	Taxes payable	(VI)22	95,517,945	155,966,927
Dividends receivable	(VI)6	4,989,960	4,989,960	Interest payable	(VI)23	77,354,767	17,283,765
Other receivables	(VI)7	1,222,165,660	1,227,304,888	Dividends payable	(VI)24	68,678,625	62,903,610
Inventories	(VI)8	3,091,145,953	2,844,577,736	Other payables	(VI)25	41,647,376	174,955,870
Other current assets	(VI)9	231,636,482	175,082,464	Non-current liabilities due within one year	(VI)26	500,826,457	1,510,574
				Other current liabilities	(VI)27	500,000,000	1,000,000,000
<b>Total Current Assets</b>		<b>5,551,803,073</b>	<b>4,753,929,400</b>	<b>Total Current Liabilities</b>		<b>5,742,628,130</b>	<b>5,472,092,946</b>
<b>Non-current Assets:</b>				<b>Non-current Liabilities:</b>			
Available-for-sale financial assets	(VI)10	1,290,725,956	1,290,725,956	Long-term borrowings	(VI)28	269,708,646	271,148,039
Long-term equity investment	(VI)11	4,174,591,269	3,787,359,931	Bonds payable	(VI)29	494,603,286	991,074,397
Investment properties	(VI)12	34,284,836	35,415,146	Deferred tax liabilities	(VI)17	1,275,048	1,369,249
Fixed assets	(VI)13	1,186,446,387	1,099,548,420				
Construction in progress	(VI)14	258,800,371	127,708,416	<b>Total Non-current Liabilities</b>		<b>765,586,980</b>	<b>1,263,591,685</b>
Intangible assets	(VI)15	14,891,986,430	15,721,750,642				
Long-term prepaid expenses	(VI)16	6,418,189	1,166,864	<b>TOTAL LIABILITIES</b>		<b>6,508,215,110</b>	<b>6,735,684,631</b>
Deferred tax assets	(VI)17	49,806,472	16,307,595				
<b>Total Non-current Assets</b>		<b>21,893,059,910</b>	<b>22,079,982,970</b>	<b>Shareholders' Equity:</b>			
				Share capital	(VI)30	5,037,747,500	5,037,747,500
				Capital reserve	(VI)31	7,481,967,841	7,483,554,188
				Other comprehensive income	(VI)32	188,889,048	95,858,321
				Surplus reserve	(VI)33	2,927,043,693	2,833,298,081
				Retained profits	(VI)34	4,712,690,449	4,146,025,799
				<b>Total shareholders' equity attributable to equity holders of the Company</b>		<b>20,348,338,531</b>	<b>19,596,483,889</b>
				Minority interests		588,309,342	501,743,850
				<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>20,936,647,873</b>	<b>20,098,227,739</b>
				<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>27,444,862,983</b>	<b>26,833,912,370</b>
<b>TOTAL ASSETS</b>		<b>27,444,862,983</b>	<b>26,833,912,370</b>				

The accompanying notes form part of the financial statements.

The financial statements on pages 127 to 136 were signed by the following:

Legal Representative:  
Qian Yong Xiang

Person in Charge of the Accounting Body:  
Yu Lan Ying

Chief Accountant:  
Ren Zhuo Hua

# BALANCE SHEET OF THE COMPANY

31 December 2014

Unit: RMB

Item	Notes	Closing balance	Opening balance	Item	Notes	Closing balance	Opening balance
<b>Current Assets:</b>				<b>Current Liabilities:</b>			
Cash and bank balances	(XV)1	238,658,010	220,826,123	Short-term borrowings	(XV)14	3,340,000,000	3,060,000,000
Accounts receivable	(XV)2	80,125,072	45,802,206	Accounts payable	(XV)15	238,350,163	76,808,330
Prepayments	(XV)3	257,152,125	15,691,980	Receipts in advance		7,759,002	3,972,672
Interest receivable		3,175,792	3,175,792	Employee benefits payable	(XV)16	987,091	760,992
Dividends receivable		4,989,960	4,989,960	Taxes payable	(XV)17	76,760,557	135,218,453
Other receivables	(XV)4	1,519,681,070	1,216,288,925	Interest payable		76,831,045	70,414,988
Inventories	(XV)5	20,995,413	20,374,149	Dividends payable		68,678,625	62,903,610
Non-current assets due within one year	(XV)6	150,000,000	—	Other payables	(XV)18	31,829,823	145,258,608
				Non-current liabilities due within one year		500,826,457	1,510,574
				Other current liabilities		500,000,000	1,000,000,000
<b>Total Current Assets</b>		<b>2,274,777,442</b>	<b>1,527,149,135</b>	<b>Total Current Liabilities</b>		<b>4,842,022,763</b>	<b>4,556,848,227</b>
<b>Non-current Assets:</b>				<b>Non-current Liabilities:</b>			
Available-for-sale financial assets	(XV)7	1,008,915,500	1,008,915,500	Long-term borrowings		19,708,646	21,148,039
Long-term equity investment	(XV)8	5,217,907,838	4,763,269,798	Bonds payable		494,603,286	991,074,397
Fixed assets	(XV)9	953,515,356	902,823,903				
Construction in progress	(XV)10	208,246,561	103,702,042	<b>Total Non-current Liabilities</b>		<b>514,311,932</b>	<b>1,012,222,436</b>
Intangible assets	(XV)11	13,475,809,444	14,228,288,066				
Deferred tax assets	(XV)12	4,024,527	4,048,559	<b>TOTAL LIABILITIES</b>		<b>5,356,334,695</b>	<b>5,569,070,663</b>
Other non-current assets	(XV)13	1,540,000,000	1,690,000,000				
<b>Total Non-current Assets</b>		<b>22,408,419,226</b>	<b>22,701,047,868</b>	<b>Shareholders' Equity:</b>			
				Share capital		5,037,747,500	5,037,747,500
<b>TOTAL ASSETS</b>		<b>24,683,196,668</b>	<b>24,228,197,003</b>	Capital reserve	(XV)19	7,482,952,651	7,484,538,998
				Other comprehensive income	(XV)20	170,463,816	77,433,089
				Surplus reserve	(XV)21	2,518,873,750	2,470,793,441
				Retained profits	(XV)22	4,116,824,256	3,588,613,312
				<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>19,326,861,973</b>	<b>18,659,126,340</b>
				<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>24,683,196,668</b>	<b>24,228,197,003</b>

The accompanying notes form part of the financial statements.

# CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

Unit: RMB

Item	Notes	Amount for the current year	Amount for the prior year
<b>I. Total operating income</b>	(VI)35	7,879,076,285	7,614,226,717
Including: Operating income		7,879,076,285	7,614,226,717
Less: Total operating costs		4,767,168,271	4,374,573,648
Including: Operating costs	(VI)35	4,020,311,735	3,694,143,781
Business taxes and levies	(VI)36	240,825,572	202,171,162
Selling expenses	(VI)37	13,806,381	9,832,355
Administrative expenses	(VI)38	179,857,348	176,140,246
Financial expenses	(VI)39	312,417,868	292,786,104
Impairment losses of assets	(VI)40	(50,633)	(500,000)
Add: Gains from changes in fair values	(VI)41	3,066,189	2,109,937
Investment income	(VI)42	352,287,304	315,399,461
Including: Income from investments in associates and joint ventures		310,937,218	265,462,186
<b>II. Operating profit</b>		3,467,261,507	3,557,162,467
Add: Non-operating income	(VI)43	20,779,594	102,541,001
Including: Gains from disposal of non-current assets		5,054,693	90,210,095
Less: Non-operating expenses	(VI)44	33,021,065	32,206,354
Including: Losses from disposal of non-current assets		6,759,257	9,048,053
<b>III. Total profit</b>		3,455,020,036	3,627,497,114
Less: Income tax expenses	(VI)45	807,730,902	851,870,234
<b>IV. Net profit</b>		2,647,289,134	2,775,626,880
Including: Net profit attributable to owners of the Company		2,574,754,312	2,707,743,147
Profit or loss attributable to minority interests		72,534,822	67,883,733
<b>V. Other comprehensive income (net of tax)</b>	(VI)46	93,030,727	14,452,952
Other comprehensive income (net of tax) attributable to owners of the parent company		93,030,727	14,452,952
(I) Other comprehensive income that will not be reclassified subsequently to profit or loss		—	—
(II) Other comprehensive income that will be reclassified subsequently to profit or loss		93,030,727	14,452,952
1. Share of other comprehensive income of the investee under the equity method that will be reclassified subsequently to profit or loss		93,030,727	14,452,952
Other comprehensive income (net of tax) attributable to minority interests		—	—
<b>VI. Total comprehensive income</b>		2,740,319,861	2,790,079,832
Total comprehensive income attributable to owners of the Company		2,667,785,039	2,722,196,099
Total comprehensive income attributable to minority shareholders		72,534,822	67,883,733
<b>VII. Earnings per share:</b>			
(I) Basic earnings per share		0.5111	0.5375
(II) Diluted earnings per share		N/A	N/A

The accompanying notes form part of the financial statements.

# INCOME STATEMENT OF THE COMPANY

For the year ended 31 December 2014

Unit: RMB

Item	Notes	Amount for the current year	Amount for the prior year
<b>I. Total operating income</b>	(XV)23	6,756,383,604	6,737,272,673
Less: Operating costs	(XV)23	3,542,296,839	3,382,239,498
Business taxes and levies	(XV)24	170,616,800	167,182,101
Administrative expenses	(XV)25	151,004,781	145,071,686
Financial expenses	(XV)26	288,927,710	257,150,740
Impairment loss of assets	(XV)27	(96,127)	(500,000)
Add: Investment income	(XV)28	599,526,358	291,447,762
Including: Income from investments in associates and joint ventures		215,407,886	162,370,703
<b>II. Operating profit</b>		3,203,159,959	3,077,576,410
Add: Non-operating income	(XV)29	19,006,448	100,194,023
Including: Gains from disposal of non-current assets		5,018,251	89,304,144
Less: Non-operating expenses	(XV)30	28,518,580	27,641,775
Including: Losses from disposal of non-current assets		6,047,890	7,840,407
<b>III. Total profit</b>		3,193,647,827	3,150,128,658
Less: Income tax expenses	(XV)31	703,012,524	741,801,179
<b>IV. Net profit</b>		2,490,635,303	2,408,327,479
<b>V. Other comprehensive income (net of tax)</b>	(XV)32	93,030,727	14,452,952
(I) Other comprehensive income that will not be reclassified subsequently to profit or loss		—	—
(II) Other comprehensive income that will be reclassified subsequently to profit or loss		93,030,727	14,452,952
1. Share of other comprehensive income of the investee under the equity method that will be reclassified subsequently to profit or loss		93,030,727	14,452,952
<b>VI. Total comprehensive income</b>		2,583,666,030	2,422,780,431

The accompanying notes form part of the financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2014

Unit: RMB

Item	Notes	Amount for the current year	Amount for the prior year
<b>I. Cash Flows from Operating Activities:</b>			
Cash receipts from the sale of goods and the rendering of services		8,143,321,430	8,333,973,935
Other cash receipts relating to operating activities	(VI)48(1)	20,718,343	33,439,918
Sub-total of cash inflows from operating activities		8,164,039,773	8,367,413,853
Cash payments for goods purchased and services received		3,196,625,766	3,496,976,834
Cash payments to and on behalf of employees		594,678,620	533,206,614
Payments of various types of taxes		1,179,374,217	1,192,936,003
Other cash payments relating to operating activities	(VI)48(2)	101,348,550	60,132,242
Sub-total of cash outflows from operating activities		5,072,027,153	5,283,251,693
Net Cash Flow from Operating Activities		3,092,012,620	3,084,162,160
<b>II. Cash Flows from Investing Activities:</b>			
Cash receipts from disposals and recovery of investments		1,749,633,714	890,733,560
Cash receipts from investment income		161,227,972	158,243,780
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		26,831,297	85,042,666
Net cash receipts from disposals of subsidiaries and other business units		—	—
Other cash receipts relating to investing activities	(VI)48(3)	—	—
Sub-total of cash inflows from investing activities		1,937,692,983	1,134,020,006
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		368,844,327	240,842,115
Cash payments to acquire investments		1,929,821,578	1,858,047,432
Other cash payments relating to investing activities	(VI)48(4)	—	—
Sub-total of cash outflows from investing activities		2,298,665,905	2,098,889,547
Net Cash Flow used in Investing Activities		(360,972,922)	(964,869,541)
<b>III. Cash Flows from Financing Activities:</b>			
Cash receipts from capital contributions		60,000,000	—
Including: cash receipts from capital contributions from minority owners of subsidiaries		60,000,000	—
Cash receipts from borrowings		1,790,000,000	5,236,385,000
Cash receipts from issue of bonds		3,700,000,000	4,000,000,000
Other cash receipts relating to financing activities	(VI)48(5)	—	—
Sub-total of cash inflows from financing activities		5,550,000,000	9,236,385,000
Cash repayments of borrowings		5,851,433,918	9,447,918,343
Cash payments for distribution of dividends or profits or settlement of interest expenses		2,246,214,737	2,161,770,081
Including: payments for distribution of dividends or profits to minority owners of subsidiaries		45,969,330	42,272,811
Other cash payments relating to financing activities	(VI)48(6)	12,110,861	23,297,236
Sub-total of cash outflows from financing activities		8,109,759,516	11,632,985,660
Net Cash Flow used in Financing Activities		(2,559,759,516)	(2,396,600,660)
<b>IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>			
		—	—
<b>V. Net Increase (decrease) in Cash and Cash Equivalents</b>			
Add: Opening balance of Cash and Cash Equivalents	(VI)49	171,280,182	(277,308,041)
	(VI)49	409,176,746	686,484,787
<b>VI. Closing Balance of Cash and Cash Equivalents</b>			
	(VI)49	580,456,928	409,176,746

The accompanying notes form part of the financial statements.

# CASH FLOW STATEMENT OF THE COMPANY

For the year ended 31 December 2014

Unit: RMB

Item	Notes	Amount for the current year	Amount for the prior year
<b>I. Cash Flows from Operating Activities:</b>			
Cash receipts from the sale of goods and the rendering of services		7,072,593,363	7,100,361,694
Other cash receipts relating to operating activities	(XV)34(1)	12,621,015	18,260,981
Sub-total of cash inflows from operating activities		7,085,214,378	7,118,622,675
Cash payments for goods purchased and services received		2,804,199,984	2,555,845,625
Cash payments to and on behalf of employees		493,287,677	444,657,218
Payments of various types of taxes		950,571,021	976,937,878
Other cash payments relating to operating activities	(XV)34(2)	77,440,556	50,420,416
Sub-total of cash outflows from operating activities		4,325,499,238	4,027,861,137
Net Cash Flow from Operating Activities		2,759,715,140	3,090,761,538
<b>II. Cash Flows from Investing Activities:</b>			
Cash receipts from disposals and recovery of investments		850,000,000	200,203,560
Cash receipts from investment income		483,194,037	308,903,252
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		24,468,003	85,042,666
Other cash receipts relating to investing activities	(XV)34(3)	—	1,190,000,000
Sub-total of cash inflows from investing activities		1,357,662,040	1,784,149,478
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		285,837,768	188,097,289
Cash payments to acquire investments		1,096,861,340	2,825,087,432
Other cash payments relating to investing activities	(XV)34(4)	310,000,000	—
Sub-total of cash outflows from investing activities		1,692,699,108	3,013,184,721
Net Cash Flow used in Investing Activities		(335,037,068)	(1,229,035,243)
<b>III. Cash Flows from Financing Activities:</b>			
Cash receipts from borrowings		1,490,000,000	4,826,385,000
Cash receipts from issue of bonds		3,700,000,000	4,000,000,000
Sub-total of cash inflows from financing activities		5,190,000,000	8,826,385,000
Cash repayments of borrowings		5,411,433,917	8,767,918,343
Cash payments for distribution of dividends or profits or settlement of interest expenses		2,173,301,407	2,076,947,348
Other cash payments relating to financing activities	(XV)34(5)	12,110,861	23,297,236
Sub-total of cash outflows from financing activities		7,596,846,185	10,868,162,927
Net Cash Flow from Financing Activities		(2,406,846,185)	(2,041,777,927)
<b>IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>			
		—	—
<b>V. Net Increase (decrease) in Cash and Cash Equivalents</b>			
Add: Opening balance of Cash and Cash Equivalents	(XV)35	17,831,887	(180,051,632)
	(XV)35	220,826,123	400,877,755
<b>VI. Closing Balance of Cash and Cash Equivalents</b>			
	(XV)35	238,658,010	220,826,123

The accompanying notes form part of the financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2014

Unit: RMB

Item	Amount for the current year											Total shareholders' equity	
	Attributable to owners of the Company												
	Share capital	Preferred shares	Perpetual debits	Others	Capital reserve	Treasury shares	Less: comprehensive income	Special reserve	Surplus reserve	General Risk Provision	Retained profits		Minority interests
<b>I. Closing balance of the preceding year</b>	5,037,747,500	—	—	—	7,483,554,188	—	95,658,321	—	2,833,298,081	—	4,146,025,799	501,743,850	20,098,227,739
Add:	—	—	—	—	—	—	—	—	—	—	—	—	—
Changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—	—
Corrections of prior period errors	—	—	—	—	—	—	—	—	—	—	—	—	—
Effect of business combinations involving enterprises under common control	—	—	—	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—	—	—	—
<b>II. Opening balance of the current year</b>	5,037,747,500	—	—	—	7,483,554,188	—	95,658,321	—	2,833,298,081	—	4,146,025,799	501,743,850	20,098,227,739
<b>III. Changes for the year</b>	—	—	—	—	—	—	93,030,727	—	—	—	2,574,754,312	72,534,822	2,740,319,861
(I) Total comprehensive income	—	—	—	—	—	—	93,030,727	—	—	—	2,574,754,312	72,534,822	2,740,319,861
(II) Owners' contributions and reduction in capital	—	—	—	—	(1,586,347)	—	—	—	—	—	—	60,000,000	58,413,653
1. Capital contribution from owners	—	—	—	—	—	—	—	—	—	—	—	60,000,000	60,000,000
2. Capital contribution from other equity instrument holders	—	—	—	—	—	—	—	—	—	—	—	—	—
3. Share-based payment recognised in owners' equity	—	—	—	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	(1,586,347)	—	—	—	—	—	—	—	(1,586,347)
(III) Profit distribution	—	—	—	—	—	—	—	—	93,745,612	—	(2,008,089,662)	(45,968,330)	(1,960,313,380)
1. Transfer to surplus reserve	—	—	—	—	—	—	—	—	93,745,612	—	(93,745,612)	—	—
2. General Risk Provision	—	—	—	—	—	—	—	—	—	—	—	—	—
3. Distributions to shareholders	—	—	—	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—	—	—	—	—	—
(IV) Transfers within owners' equity	—	—	—	—	—	—	—	—	—	—	(1,914,344,050)	(45,968,330)	(1,960,313,380)
1. Capitalization of capital reserve	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Capitalization of surplus reserve	—	—	—	—	—	—	—	—	—	—	—	—	—
3. Loss offset by surplus reserve	—	—	—	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—	—	—	—	—	—
(V) Special reserve	—	—	—	—	—	—	—	—	—	—	—	—	—
1. Provision of special reserve in the period	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Amount utilized in the period	—	—	—	—	—	—	—	—	—	—	—	—	—
(VI) Others	—	—	—	—	—	—	—	—	—	—	—	—	—
<b>IV. Closing balance of the current year</b>	5,037,747,500	—	—	—	7,481,967,841	—	188,689,048	—	2,927,043,693	—	4,712,690,449	588,309,342	20,956,647,673

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2014

Unit: RMB

Item	Amount for the last year											Total shareholders' equity	
	Attributable to owners of the Company												
	Share capital	Preferred shares	Perpetual debts	Others	Capital reserve	Treasury shares	Less: Other comprehensive income	Special reserve	Surplus reserve	General Risk Provision	Retained profits		Minority interests
<b>I. Closing balance of the preceding year</b>	5,037,747,500	—	—	—	7,484,538,998	—	81,405,369	—	2,550,126,797	—	3,535,043,036	466,614,044	19,155,475,744
Add:	—	—	—	—	—	—	—	—	—	—	—	—	—
Changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—	—
Corrections of prior period errors	—	—	—	—	—	—	—	—	—	—	—	—	—
Effect of business combinations involving enterprises under common control	—	—	—	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—	—	—	—
<b>II. Opening balance of the current year</b>	5,037,747,500	—	—	—	7,484,538,998	—	81,405,369	—	2,550,126,797	—	3,535,043,036	466,614,044	19,155,475,744
<b>III. Changes for the year</b>	—	—	—	—	—	—	—	—	—	—	—	—	—
(I) Total comprehensive income	—	—	—	—	—	—	14,452,952	—	—	—	2,707,749,147	67,883,733	2,790,079,832
(II) Owners' contributions and reduction in capital	—	—	—	—	(984,810)	—	—	—	—	—	—	(14,115,190)	(15,100,000)
1. Capital contribution from owners	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Capital contribution from other equity instrument holders	—	—	—	—	—	—	—	—	—	—	—	—	—
3. Share-based payment recognised in owners' equity	—	—	—	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	(984,810)	—	—	—	—	—	—	(14,115,190)	(15,100,000)
(III) Profit distribution	—	—	—	—	—	—	—	—	283,171,284	—	(2,096,760,384)	(18,638,737)	(1,832,227,837)
1. Transfer to surplus reserve	—	—	—	—	—	—	—	—	283,171,284	—	(283,171,284)	—	—
2. General Risk Provision	—	—	—	—	—	—	—	—	—	—	—	—	—
3. Distributions to shareholders	—	—	—	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—	—	—	—	—	—
(IV) Transfers within owners' equity	—	—	—	—	—	—	—	—	—	—	—	—	—
1. Capitalization of capital reserve	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Capitalization of surplus reserve	—	—	—	—	—	—	—	—	—	—	—	—	—
3. Loss offset by surplus reserve	—	—	—	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—	—	—	—	—	—
(V) Special reserve	—	—	—	—	—	—	—	—	—	—	—	—	—
1. Provision of special reserve in the period	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Amount utilized in the period	—	—	—	—	—	—	—	—	—	—	—	—	—
(VI) Others	—	—	—	—	—	—	—	—	—	—	—	—	—
<b>IV. Closing balance of the current year</b>	5,037,747,500	—	—	—	7,483,554,188	—	95,858,321	—	2,833,298,081	—	4,146,025,799	501,743,850	20,098,227,739



# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY

For the year ended 31 December 2014

Unit: RMB

Item	Amount for the current year										Total shareholders' equity	
	Share capital	Preferred shares	Perpetual debts	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General Risk Provision		Retained profits
<b>I. Closing balance of the preceding year</b>	5,037,747,500	—	—	—	7,484,538,998	—	77,433,089	—	2,470,793,441	—	3,588,613,312	18,659,126,340
Add: Changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—
Corrections of prior period errors	—	—	—	—	—	—	—	—	—	—	—	—
Effect of business combinations involving enterprises under common control	—	—	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—	—	—
<b>II. Opening balance of the current year</b>	5,037,747,500	—	—	—	7,484,538,998	—	77,433,089	—	2,470,793,441	—	3,588,613,312	18,659,126,340
<b>III. Changes for the year</b>	—	—	—	—	—	—	93,030,727	—	—	—	—	—
(I) Total comprehensive income	—	—	—	—	—	—	93,030,727	—	—	—	—	—
(II) Owners' contributions and reduction in capital	—	—	—	—	(1,586,347)	—	—	—	—	—	2,490,635,303	2,589,666,030
1. Capital contribution from owners	—	—	—	—	—	—	—	—	—	—	—	(1,586,347)
2. Capital contribution from other equity instrument holders	—	—	—	—	—	—	—	—	—	—	—	—
3. Share-based payment recognised in owners' equity	—	—	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	(1,586,347)	—	—	—	—	—	—	(1,586,347)
(III) Profit distribution	—	—	—	—	—	—	—	—	48,000,309	—	(1,982,424,359)	(1,914,344,050)
1. Transfer to surplus reserve	—	—	—	—	—	—	—	—	48,000,309	—	(48,000,309)	—
2. General Risk Provision	—	—	—	—	—	—	—	—	—	—	—	—
3. Distributions to shareholders	—	—	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—	—	—	(1,914,344,050)	(1,914,344,050)
(IV) Transfers within owners' equity	—	—	—	—	—	—	—	—	—	—	—	—
1. Capitalization of capital reserve	—	—	—	—	—	—	—	—	—	—	—	—
2. Capitalization of surplus reserve	—	—	—	—	—	—	—	—	—	—	—	—
3. Loss offset by surplus reserve	—	—	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—	—	—	—	—
(V) Special reserve	—	—	—	—	—	—	—	—	—	—	—	—
1. Provision of special reserve in the period	—	—	—	—	—	—	—	—	—	—	—	—
2. Amount utilized in the period	—	—	—	—	—	—	—	—	—	—	—	—
(VI) Others	—	—	—	—	—	—	—	—	—	—	—	—
<b>IV. Closing balance of the current year</b>	5,037,747,500	—	—	—	7,482,952,651	—	170,463,816	—	2,518,793,750	—	4,116,824,256	19,326,861,973

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY

For the year ended 31 December 2014

## Statement of Changes in shareholders' equity of the Company

Unit: RMB

Item	Amount for the last year										Total shareholders' equity	
	Share capital	Preferred shares	Perpetual debts	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General Risk Provision		Retained profits
<b>I. Closing balance of the preceding year</b>	5,037,747,500	—	—	—	7,484,538,998	—	62,980,137	—	2,229,960,693	—	3,234,707,681	18,049,935,009
Add: Changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—
Corrections of prior period errors	—	—	—	—	—	—	—	—	—	—	—	—
Effect of business combinations involving enterprises under common control	—	—	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—	—	—
<b>II. Opening balance of the current year</b>	5,037,747,500	—	—	—	7,484,538,998	—	62,980,137	—	2,229,960,693	—	3,234,707,681	18,049,935,009
<b>III. Changes for the year</b>	—	—	—	—	—	—	—	—	—	—	—	—
(I) Total comprehensive income	—	—	—	—	—	—	14,452,952	—	—	—	2,408,327,479	2,422,780,431
(II) Owners' contributions and reduction in capital	—	—	—	—	—	—	—	—	—	—	—	—
1. Capital contribution from owners	—	—	—	—	—	—	—	—	—	—	—	—
2. Capital contribution from other equity instrument holders	—	—	—	—	—	—	—	—	—	—	—	—
3. Share-based payment recognised in owners' equity	—	—	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—	—	—	—	—
(III) Profit distribution	—	—	—	—	—	—	—	—	240,832,748	—	(2,054,421,848)	(1,813,589,100)
1. Transfer to surplus reserve	—	—	—	—	—	—	—	—	240,832,748	—	(240,832,748)	—
2. General Risk Provision	—	—	—	—	—	—	—	—	—	—	—	—
3. Distributions to shareholders	—	—	—	—	—	—	—	—	—	—	(1,813,589,100)	(1,813,589,100)
4. Others	—	—	—	—	—	—	—	—	—	—	—	—
(IV) Transfers within owners' equity	—	—	—	—	—	—	—	—	—	—	—	—
1. Capitalization of capital reserve	—	—	—	—	—	—	—	—	—	—	—	—
2. Capitalization of surplus reserve	—	—	—	—	—	—	—	—	—	—	—	—
3. Loss offset by surplus reserve	—	—	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—	—	—	—	—
(V) Special reserve	—	—	—	—	—	—	—	—	—	—	—	—
1. Provision of special reserve in the period	—	—	—	—	—	—	—	—	—	—	—	—
2. Amount utilized in the period	—	—	—	—	—	—	—	—	—	—	—	—
(VI) Others	—	—	—	—	—	—	—	—	—	—	—	—
<b>IV. Closing balance of the current year</b>	5,037,747,500	—	—	—	7,484,538,998	—	77,433,089	—	2,470,793,441	—	3,588,613,312	18,659,126,340

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## I. BASIC INFORMATION ABOUT THE COMPANY

Jiangsu Expressway Co., Ltd. (the “Company”) is a joint-stock limited company incorporated in Nanjing, Jiangsu province on 1 August 1992, with headquarter located in Nanjing. The principal activities of the Company and its subsidiaries (collectively referred it as the “Group”) mainly include: construction, operation and management of the Jiangsu section of Shanghai-Nanjing Expressway (the “Shanghai-Nanjing Expressway”), the Jiangsu section of the 312 National Highway (the “312 National Highway”), Nanjing-Lianyungang Class 1 Highway – Nanjing Section (“Nanjing-Lianyungang Highway”) and other toll roads in Jiangsu Province PRC, and the provision of passenger transport services and other supporting services along the toll roads.

The Company issued 1,222,000,000 shares on the Stock Exchange of Hong Kong Limited (“H shares”) and 150,000,000 shares on the Shanghai Stock Exchange (“A shares”) with par value of RMB1 in June 1997 and December 2000 respectively.

The parent company and ultimate shareholder of the Company is Jiangsu Communications Holding Company Limited.

The company and the consolidated financial are approved by the Board of Directors on 27 March 2015.

Subsidiaries consolidated in the financial statements are listed in Note VIII “Equity in other entities”. Details of the change in the scope of consolidated financial statements this year please refer to Note VII “Changes of Consolidated Financial Statement Scope”.

## II. BASIS OF PREPARATION OF FINACIAL STATEMENTS

### Basis of preparation

The Group has adopted the Accounting Standards for Business Enterprises (“ASBE”) issued by the Ministry of Finance (“MOF”) (including the new and revised ASBE that has been issued in 2014) and related rules. The Group has disclosed relevant financial information in accordance with Information Disclosure and Presentation Rules for Companies Offering Securities to the Public No. 15 — General Provisions on Financial Reporting (Revised in 2014). In addition, the Group also disclosed relevant disclosure in accordance with the disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules of the Stock Exchange of Hong Kong Limited. These consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance, which continue to be those of the predecessor Hong Kong Companies Ordinance (Cap.32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap.622), “Accounts and Audit”, which are set out in section 76 to 87 of Schedule 11 to that Ordinance.

### Basis of accounting and principle of measurement

The Group has adopted the accrual basis of accounting. Except for certain financial instruments which are measured at fair value, the Group adopts the historical cost as the principle of measurement in the financial statements. Where assets are impaired, provisions for asset impairment are made in accordance with relevant requirements.

Where the historical cost is adopted as the measurement basis, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds or assets received or the contractual amounts for assuming the present obligation, or, at the amounts of cash or cash equivalents expected to be paid to settle the liabilities in the normal course of business.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using valuation technique. Fair value measurement and disclosure in the financial statements are determined according to the above basis.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

### Basis of accounting and principle of measurement *(continued)*

Fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

### Going concern

As at 31 December 2014, the Group had total current liabilities in excess of total current assets of RMB190,825,057. As at 31 December 2014, the Group has available unutilized bank loan facilities of approximately RMB6,790,000,000 and authorized but not issued bonds of approximately RMB4,500,000,000 related to private placement note, short-term bonds, super short-term bonds. The Group's management believes the facilities above are to provide all necessary financial support to the Group in the foreseeable future so as to maintain the Group's ability to continue as a going concern, the financial statements have been prepared on a going concern basis.

## III. SIGNIFICANT ACCOUNTING POLICIES, and ACCOUNTING ESTIMATES

The Group are principally engaged in toll road operation. The Group determines the specific accounting policies according to the toll road industry characteristics, shown mainly on the bad debt provision for receivables, depreciation for fixed assets, amortization for toll road operation rights and recognition timing of revenue. Refer to Note III 10, 14, 17 and 21 for detail specific accounting policies. For description of significant accounting judgments, estimation and assumption made by management, see Note IV.

### 1. Statement of compliance with the ASBE

The financial statements of the Company have been prepared in accordance with ASBE, and present truly and completely, the Company's and consolidated financial position as of 31 December 2014, and the Company's and consolidated results of operations and cash flows for the year then ended.

### 2. Accounting period

The Group has adopted the calendar year as its accounting year, i.e. from 1 January to 31 December.

### 3. Business Cycle

Except for the real estate industry, the Group's business cycle is short, the determining criterion of asset-liability liquidity is 12 months. The real estate industry business cycle is from real estate development to sales realization, generally in more than 12 months, the specific period is determined according to the development conditions of the project, and its criterion of asset-liability liquidity is based on the business cycle.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## III. SIGNIFICANT ACCOUNTING POLICIES, and ACCOUNTING ESTIMATES (continued)

### 4. Functional currency

Renminbi (“RMB”) is the currency of the primary economic environment in which the Company and its subsidiaries operate. Therefore, the Company and its subsidiaries choose RMB as their functional currency. The Group adopts RMB to prepare its financial statements.

### 5. The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control

Business combinations are classified into business combinations involving enterprises under common control and business combinations not involving enterprises under common control.

#### 5.1. Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

Assets and liabilities obtained shall be measured at their respective carrying amounts as recorded by the combining entities at the date of the combination. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination is adjusted to the share premium in capital reserve. If the share premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Costs that are directly attributable to the combination are charged to profit or loss in the period in which they are incurred.

#### 5.2. Business combinations not involving enterprises under common control and goodwill

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination.

The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognized in profit or loss when they are incurred.

The acquiree’s identifiable assets, liabilities and contingent liabilities, acquired by the acquirer in a business combination, that meet the recognition criteria shall be measured at fair value at the acquisition date.

Where the cost of combination exceeds the acquirer’s interest in the fair value of the acquiree’s identifiable net assets, the difference is treated as an asset and recognized as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the acquirer’s interest in the fair value of the acquiree’s identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquiree’s identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the acquirer’s interest in the fair value of the acquiree’s identifiable net assets, the acquirer recognizes the remaining difference immediately in profit or loss for the current period.

Goodwill arising on a business combination is measured at cost less accumulated impairment losses, and is presented separately in the consolidated financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## III. SIGNIFICANT ACCOUNTING POLICIES, and ACCOUNTING ESTIMATES *(continued)*

### 6. Preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control exists when the investor has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power over the investee to affect its returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes of the above elements of the definition of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

For a subsidiary disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

For a subsidiary acquired through a business combination not involving enterprises under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control or the party being absorbed under merger by absorption are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period or from the date when they first came under the common control of the ultimate controlling party are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company.

The effects of all intra-group transactions are eliminated on consolidation.

The portion of subsidiaries' equity that is not attributable to the Company is treated as minority interests and presented as "minority interests" in the consolidated balance sheet within shareholders' equity. The portion of net profits or losses of subsidiaries for the period attributable to minority interests is presented as "minority interests" in the consolidated income statement below the "net profit" line item.

When the amount of loss for the period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount are still allocated against minority interests.

Acquisition of minority interests or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the Company's interests and minority interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the minority interests are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve under owners' equity. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against retained earnings.

When the Group loses control over a subsidiary due to disposal of certain equity interest or other reasons, any retained interest is re-measured at its fair value at the date when control is lost. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognized as investment income in the period in which control is lost, and at the same time adjusted against goodwill. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## III. SIGNIFICANT ACCOUNTING POLICIES, and ACCOUNTING ESTIMATES *(continued)*

### 7. Cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Group's short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### 8. Translation of transactions denominated in foreign currencies

A foreign currency transaction is recorded, on initial recognition, by applying the spot exchange rate on the date of the transaction.

At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognized in profit or loss for the period, except that (1) exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalization are capitalized as part of the cost of the qualifying asset during the capitalization period; (2) exchange differences related to hedging instruments for the purpose of hedging against foreign currency risks are accounted for using hedge accounting; (3) exchange differences arising from available-for-sale non-monetary items (such as shares) denominated in foreign currencies and changes in the carrying amounts (other than the amortized cost) of available-for-sale monetary items are recognized as other comprehensive income.

Foreign currency non-monetary items measured at historical cost are translated to the amounts in functional currency at the spot exchange rates on the dates of the transactions and the amounts in functional currency remain unchanged. Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date the fair value is determined. Difference between the re-translated functional currency amount and the original functional currency amount is treated as changes in fair value (including changes of exchange rate) and is recognized in profit and loss or as other comprehensive income.

### 9. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognized in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initial recognized amounts.

#### 9.1. Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period, using the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial asset or financial liability (without considering future credit losses), and also considers all fees paid or received between the parties to the contract giving rise to the financial asset and financial liability that are an integral part of the effective interest rate, transaction costs, and premiums or discounts, etc.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## III. SIGNIFICANT ACCOUNTING POLICIES, and ACCOUNTING ESTIMATES (continued)

### 9. Financial instruments (continued)

#### 9.2. Classification, recognition and measurement of financial assets

On initial recognition, the Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

The Group has no held-to-maturity investments.

##### 9.2.1 Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL include financial assets held for trading and those designated as at fair value through profit or loss.

A financial asset is classified as held for trading if one of the following conditions is satisfied: (i) It has been acquired principally for the purpose of selling in the near term; or (ii) On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking; or (iii) It is a derivative that is not designated and effective as a hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured.

A financial asset may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied: (i) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring assets or recognizing the gains or losses on them on different bases; or (ii) The financial asset forms part of a group of financial assets or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis; (iii) it is a qualifying hybrid instrument containing embedded derivatives.

Financial assets at FVTPL are subsequently measured at fair value. Any gains or losses arising from changes in the fair value and any dividend or interest income earned on the financial assets are recognized in profit or loss.

##### 9.2.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables by the Group include notes receivable, accounts receivable, dividends receivable, and other receivables.

Loans and receivables are subsequently measured at amortized cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortization is recognised in profit or loss.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## III. SIGNIFICANT ACCOUNTING POLICIES, and ACCOUNTING ESTIMATES (continued)

### 9. Financial instruments (continued)

#### 9.2. Classification, recognition and measurement of financial assets (continued)

##### 9.2.3 Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are designated on initial recognition as available for sale, and financial assets that are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are subsequently measured at fair value, and gains or losses arising from changes in the fair value are recognised as other comprehensive income, except that impairment losses and exchange differences related to amortized cost of monetary financial assets denominated in foreign currencies are recognised in profit or loss, until the financial assets are derecognized, at which time the gains or losses are released and recognised in profit or loss.

Interests obtained and the dividends declared by the investee during the period in which the available-for-sale financial assets are held, are recognised in investment gains.

For investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivative financial assets that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost.

#### 9.3. Impairment of financial assets

The Group assesses at each balance sheet date the carrying amounts of financial assets other than those at fair value through profit or loss. If there is objective evidence that a financial asset is impaired, the Group determines the amount of any impairment loss. Objective evidence that a financial asset is impaired is evidence that, arising from one or more events that occurred after the initial recognition of the asset, the estimated future cash flows of the financial asset, which can be reliably measured, have been affected.

Objective evidence that a financial asset is impaired includes the following observable events:

- (1) Significant financial difficulty of the issuer or obligor;
- (2) A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- (3) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower;
- (4) It becoming probable that the borrower will enter bankruptcy or other financial reorganizations;
- (5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer;
- (6) Upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group. Such observable data includes:
  - Adverse changes in the payment status of borrower in the group of assets;
  - Economic conditions in the country or region of the borrower which may lead to a failure to pay the group of assets;

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## III. SIGNIFICANT ACCOUNTING POLICIES, and ACCOUNTING ESTIMATES (continued)

### 9. Financial instruments (continued)

#### 9.3. Impairment of financial assets (continued)

- (7) Significant adverse changes in the technological, market, economic or legal environment in which the equity instrument issuer operates, indicating that the cost of the investment in the equity instrument may not be recovered by the investor;
- (8) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost, such as the fair value of equity instrument at the balance sheet date is over 50% less than the initial investment cost (including 50%) or the period that is less than the initial investment cost lasts more than 12 months (including 12 months).
- (9) Other objective evidence indicating there is an impairment of a financial asset.

#### — Impairment of financial assets measured at amortized cost

If financial assets carried at amortized cost are impaired, the carrying amounts of the financial assets are reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of reduction is recognised as an impairment loss in profit or loss. If, subsequent to the recognition of an impairment loss on financial assets carried at amortized cost, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. However, the reversal is made to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognised.

For a financial asset that is individually significant, the Group assesses the asset individually for impairment. For a financial asset that is not individually significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset (whether significant or not), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively reassesses them for impairment. Assets for which an impairment loss is individually recognised are not included in a group of financial assets with similar credit risk characteristics for collective assessment of impairment.

#### — Impairment of available-for-sale financial assets

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value previously recognised directly in capital reserve is reclassified from the comprehensive income to profit or loss. The amount of the cumulative loss that is reclassified from capital reserve to profit or loss is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

If, subsequent to the recognition of an impairment loss on available-for-sale financial assets, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. The amount of reversal of impairment loss on available-for-sale equity instruments is recognised as other comprehensive income, while the amount of reversal of impairment loss on available-for-sale debt instruments is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## III. SIGNIFICANT ACCOUNTING POLICIES, and ACCOUNTING ESTIMATES *(continued)*

### 9. Financial instruments *(continued)*

#### 9.3. Impairment of financial assets *(continued)*

##### — *Impairment of financial assets measured at cost*

If an impairment loss has been incurred on an investment in unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, or on a derivative financial asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the carrying amount of the financial asset is reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of reduction is recognized as an impairment loss in profit or loss. The impairment loss on such financial asset is not reversed once it is recognized.

#### 9.4. Transfer of financial assets

The Group derecognizes a financial asset if one of the following conditions is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; or (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (3) although the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, it recognizes the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes an associated liability. The extent of the Group's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between (1) the carrying amount of the financial asset transferred; and (2) the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised in other comprehensive income, is recognised in profit or loss.

If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognized and the part that is derecognized, based on the respective fair values of those parts. The difference between (1) the carrying amount allocated to the part derecognized; and (2) the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income, is recognized in profit or loss.

#### 9.5. Classification, recognition and measurement of financial liabilities

Debt and equity instruments issued by the Group are classified into financial liabilities or equity on the basis of the substance of the contractual arrangements and definitions of financial liability and equity instrument.

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities. The Group's financial liabilities mainly represent other financial liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## III. SIGNIFICANT ACCOUNTING POLICIES, and ACCOUNTING ESTIMATES (continued)

### 9. Financial instruments (continued)

#### 9.5. Classification, recognition and measurement of financial liabilities (continued)

##### 9.5.1. Other financial liabilities

For a derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, it is subsequently measured at cost. Other financial liabilities (excluding liabilities with financial guarantee contracts) are subsequently measured at amortized cost using the effective interest method, with gains or losses arising from derecognition or amortization recognized in profit or loss.

##### 9.5.2. Financial guarantee contracts

A financial guarantee contract is a contract by which the guarantor and the lender agree that the guarantor would settle the debts or bear obligations in accordance with terms of the contract in case the borrower fails to settle the debts. Financial guarantee contracts that are not designated as financial liabilities at fair value through profit or loss are initially measured at their fair values less the directly attributable transaction costs. Subsequent to initial recognition, they are measured at the higher of: (i) the amount determined in accordance with Accounting Standard for Business Enterprises No. 13 — Contingencies; and (ii) the amount initially recognized less cumulative amortization recognized in accordance with the principles set out in Accounting Standard for Business Enterprises No. 14 — Revenue.

#### 9.6. Derecognition of financial liabilities

The Group derecognizes a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged. An agreement between the Group (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Group derecognizes a financial liability or a part of it, it recognizes the difference between the carrying amount of the financial liability (or part of the financial liability) derecognized and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

#### 9.7. Offsetting financial assets and financial liabilities

When the Group has a legal right that is currently enforceable to set off the recognised financial assets and financial liabilities, and intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, financial assets and financial liabilities are offset with the net amounts presented on the balance sheet. Otherwise, financial assets and financial liabilities are separately presented on the balance sheet without offsetting.

#### 9.8. Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued (including refinanced), repurchased, sold or cancelled by the Group are treated as changes in equity. Changes in the fair value of equity instruments are not recognised. Transaction costs related to equity transactions are deducted from equity.

The Group's distribution to holders of equity instruments are treated as a distribution of profits, payment of stock dividends does not affect total shareholders' equity.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## III. SIGNIFICANT ACCOUNTING POLICIES, and ACCOUNTING ESTIMATES (continued)

### 10. Receivables

#### 10.1. Receivables for which bad debt provision is collectively assessed on a portfolio basis

Basis or monetary criteria for determining an individually significant receivable	Accounts receivable that exceeds RMB2,500,000 or other receivable and prepayment that exceeds RMB750,000 is deemed as an individually significant receivable by the Group.
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Method of determining provision for receivables that are individually significant and for which bad debt provision is individually assessed	For receivables that are individually significant, the Group assesses the receivables individually for impairment. For a financial asset that is not impaired individually, the Group includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Receivables for which an impairment loss is individually recognized are not included in a collective assessment of impairment.
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#### 10.2. Receivables for which bad debt provision is collectively assessed on a portfolio basis

Bad debt provision method for the portfolio according to the credit risk characteristics (Aging analysis, percentage of receivables, other methods etc.)

Portfolio 1	Receivables from government, petty cash advanced to employees, security deposit, toll road receivables and receivables from related parties of the Company and its subsidiaries. Bad debt provision is recognized individually.
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Portfolio 2	Portfolio 2 mainly includes receivables arising from operating activities other than Portfolio 1. Bad debt provision is recognized based on percentage of accounts balances
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10.2.1. Portfolios where percentage of receivable method is used for bad debt provision:

Name of portfolio	Provision as a proportion of accounts receivable (%)	Provision as a proportion of other receivables (%)
Portfolio 2	<u>2</u>	<u>2</u>

#### 10.3. Receivables that are not individually significant but for which bad debt provision is individually assessed:

Reasons for making individual bad debt provision	There exists objective evidence that the Group will not be able to collect the amount under the original terms of the receivable.
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Bad debt provision methods	Impairment losses are recognized based on the difference between the carrying amount and the present value of estimated future cash flows.
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# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## III. SIGNIFICANT ACCOUNTING POLICIES, and ACCOUNTING ESTIMATES (continued)

### 11. Inventories

#### 11.1. Categories of inventories

The Group's inventories mainly include spare parts for repairs and maintenance of toll roads infrastructure, petrol for sales and real estate under development etc. Inventories are initially measured at cost. Cost of real estate under development include payments for land acquisition, costs for infrastructure, construction and installation costs, borrowing costs capitalized before project is ready for intended use, and other relevant costs during development. Cost of other inventories comprises all costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition.

#### 11.2. Valuation method of inventories upon delivery

The actual cost of real estate under development is calculated using the specific identification method. Other inventories are calculated using the first-in-first-out method.

#### 11.3. Basis for determining net realizable value of inventories and provision methods for decline in value of inventories

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. If the net realizable value is below the cost of inventories, a provision for decline in value of inventories is made. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realizable value is determined on the basis of clear evidence obtained, and takes into consideration the purposes of holding inventories and effect of post balance sheet events.

Provision for decline in value of other inventories is made based on the excess of cost of inventory over its net realizable value on an item-by-item basis.

After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realizable value of inventories is higher than their cost, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

#### 11.4. Inventory count system

The perpetual inventory system is maintained for stock system.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## III. SIGNIFICANT ACCOUNTING POLICIES, and ACCOUNTING ESTIMATES *(continued)*

### 12. Long-term equity investments

#### 12.1. Basis for determining joint control and significant influence over investee

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating policy decisions relating to the activity require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

#### 12.2. Determination of investment cost

For a long-term equity investment acquired through a business combination involving enterprises under common control, the initial investment cost of the long-term equity investment is the attributable share of the carrying amount of the shareholders' equity of the acquiree at the date of combination in the consolidated financial statements of the ultimate controlling party. The difference between the initial investment cost and the carrying amount of cash paid, non-cash assets transferred and liabilities assumed is adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess is adjusted to retained earnings. If the consideration of the combination is satisfied by the issue of equity securities, the initial investment cost of the long-term equity investment is the attributable share of the carrying amount of the shareholders' equity of the acquiree in the consolidated financial statements of the ultimate controlling party. The aggregate face value of the shares issued is accounted for as share capital. The difference between the initial investment cost and the aggregate face value of the shares issued is adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess is adjusted to retained earnings.

For a long-term equity investment acquired through business combination not involving enterprises under common control, the initial investment cost of the long-term equity investment is the cost of acquisition at the date of combination.

The intermediary fees incurred by the absorbing party or acquirer such as audit, legal, valuation and consulting fees, etc. and other related administrative expenses attributable to the business combination are recognised in profit or loss when they are incurred.

The long-term equity investment acquired otherwise than through a business combination is initially measured at its cost. When the entity is able to exercise significant influence or joint control (but not control) over an investee due to additional investment, the cost of long-term equity investments is the sum of the fair value of previously-held equity investments determined in accordance with Accounting Standard for Business Enterprises No. 22 — Financial Instruments: Recognition and Measurement (CAS 22) and the additional investment cost.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## III. SIGNIFICANT ACCOUNTING POLICIES, and ACCOUNTING ESTIMATES (continued)

### 12. Long-term equity investments (continued)

#### 12.3. Subsequent measurement and recognition of profit or loss

##### 12.3.1. Long-term equity investment accounted for using the cost method

Long-term equity investments in subsidiaries are accounted for using the cost method in the Company's separate financial statements. A subsidiary is an investee that is controlled by the Group.

Under the cost method, a long-term equity investment is measured at initial investment cost. When additional investment is made or the investment is recouped, the cost of the long-term equity investment is adjusted accordingly. Investment income is recognised in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

##### 12.3.2. Long-term equity investment accounted for using the equity method

The Group accounts for investment in associates and joint ventures using the equity method. An associate is an entity over which the Group has significant influence; a joint venture is a joint arrangement whereby the Group has rights to the net assets of the arrangement.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognised in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognizes its share of the net profit or loss and other comprehensive income made by the investee as investment income and other comprehensive income respectively, and adjust the carrying amount of the long-term equity investment accordingly; The carrying amount of the investment is reduced by the portion of any profit distributions or cash dividends declared by the investee that is distributed to the Group; the share of the changes in owners' equity of the investee other than those arising from net profit or loss, other comprehensive income and profit distribution are recognized in the capital reserve and the carrying amount of the long-term equity investment is adjusted accordingly. The Group recognizes its share of the investee's net profit or loss after making appropriate adjustments based on the fair value of the investee's individual separately identifiable assets, etc. at the acquisition date. Where the accounting policies and accounting period adopted by the investee are not consistent with those of the Group, the Group shall adjust the financial statements of the investee to conform to its own accounting policies and accounting period, and recognise investment income and other comprehensive income based on the adjusted financial statements. For the Group's transactions with its associates and joint ventures where assets contributed or sold does not constitute a business, unrealized intra-group profits or losses are recognised as investment income or loss to the extent that those attributable to the Group's proportionate share of interest are eliminated. However, unrealized losses resulting from the Group's transactions with its associates and joint ventures which represent impairment losses on the transferred assets are not eliminated.

The Group discontinues recognising its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to assume additional losses of the investee, a provision is recognised according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently made by the investee, the Group resumes recognising its share of those profits only after its share of the profits exceeds the share of losses previously not recognised.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## III. SIGNIFICANT ACCOUNTING POLICIES, and ACCOUNTING ESTIMATES *(continued)*

### 12. Long-term equity investments *(continued)*

#### 12.4. Disposal of long-term equity investments

On disposal of a long-term equity investment, the difference between the proceeds actually received and the carrying amount is recognised in profit or loss for the period. For long-term equity investments accounted for using the equity method, if the remaining interest after disposal is still accounted for using the equity method, other comprehensive income previously recognised for using the equity method is accounted for on the same basis as would have been required if the investee had directly disposed of related assets or liabilities, and transferred to profit or loss for the period on a pro rata basis; owners' equity recognised due to changes in other owners' equity of the investee (other than net profit or loss, other comprehensive income and profit distribution) is transferred to profit or loss for the period on a pro rata basis. For long-term equity investments accounted for using the cost method, if the remaining interest after disposal is still accounted for using the cost method, other comprehensive income previously recognised for using the equity method or in accordance with the standards for the recognition and measurement of financial instruments before obtaining the control over the investee, is accounted for on the same basis as would have been required if the investee had directly disposed of related assets or liabilities, and transferred to profit or loss for the period on a pro rata basis; changes in other owners' equity in the investee's net assets recognised under the equity method (other than net profit or loss, other comprehensive income and profit distribution) is transferred to profit or loss for the period on a pro rata basis.

### 13. Investment Properties

Investment property is property held to earn rentals or for capital appreciation or both. It includes building that is leased out.

An investment property is measured initially at cost. Subsequent expenditures incurred for such investment property are included in the cost of the investment property if it is probable that economic benefits associated with an investment property will flow to the Group and the subsequent expenditures can be measured reliably. Other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

The Group uses the cost model for subsequent measurement of investment property, and adopts a depreciation or amortization policy for the investment property which is consistent with that for buildings or land use rights.

When an investment property is sold, transferred, retired or damaged, the Group recognizes the amount of any proceeds on disposal net of the carrying amount and related taxes in profit or loss for the period.

### 14. Fixed assets

#### 14.1. Recognition criteria for fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognized only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost and the effect of any expected costs of abandoning the asset at the end of its use is considered.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset and if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditures can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognized. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### III. SIGNIFICANT ACCOUNTING POLICIES, and ACCOUNTING ESTIMATES (continued)

#### 14. Fixed assets (continued)

##### 14.2. Depreciation of each category of fixed assets

A fixed asset is depreciated over its useful life using the straight-line method since the month subsequent to the one in which it is ready for intended use. The useful life, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Category	Depreciation period (years)	Residual value rate (%)	Annual depreciation rate (%)
Buildings	10-30	0	3.33-10
Safety equipment	10	3	9.7
Communication and surveillance equipment	8	3	12.1
Toll and ancillary equipment	8	3	12.1
Machine and equipment	10	3	9.7
Electronic equipment	5	3	19.4
Motor vehicles	8	3	12.1
Furniture and others	5	3	19.4

Estimated net residual value of a fixed asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

##### 14.3. Other explanations

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognized. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognized in profit or loss for the period.

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at each financial year-end, and accounts for any change as a change in an accounting estimate.

#### 15. Construction in progress

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period, borrowing costs capitalized before it is ready for intended use and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a fixed asset when it is ready for intended use.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### III. SIGNIFICANT ACCOUNTING POLICIES, and ACCOUNTING ESTIMATES (continued)

#### 16. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalized when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. If construction or production of assets qualifying capitalization is interrupted abnormally for a continuous 3-month-or-above period, the capitalization of borrowing costs should be ceased until the assets resume construction or production. Other borrowing costs are recognized as an expense in the period in which they are incurred.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest to be capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings. During the capitalization period, exchange differences related to a specific-purpose borrowing denominated in foreign currency are all capitalized. Exchange differences in connection with general-purpose borrowings are recognised in profit or loss in the period in which they are incurred.

#### 17. Intangible assets

Intangible assets include land use rights, toll road operation rights and software etc.

An intangible asset is measured initially at cost. When an intangible asset with a finite useful life is available for use, its original cost less net residual value and any accumulated impairment losses is amortized over its estimated useful life using the straight-line method. If the Group has right to charge users of the public service in certain period but the amounts is not determined when relevant infrastructure completed, the Group measures the intangible asset initially at fair value of received or receivable consideration. The intangible asset is amortized using traffic volume method by using the ratio of traffic volume between certain period and whole operation period. When there is significant difference between actual and estimated traffic volume, the Group will re-evaluate the total traffic volume and calculate the amortization amount. An intangible asset with an indefinite useful life is not amortized. The amortization method, years of useful life and net residual value are as follows:

Category	Amortization method	Useful life (year)	Net residual value (%)
Land use rights	Straight-line method	22-30	0
Toll road operation rights	Traffic volume method	27-35	0
Software	Straight-line method	5	0

For an intangible asset with a finite useful life, the Group reviews the useful life and amortization method at the end of the period, and makes adjustments when necessary.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## III. SIGNIFICANT ACCOUNTING POLICIES, and ACCOUNTING ESTIMATES (continued)

### 18. Long-term assets impairment

The Group assesses at each balance sheet date whether there is any indication that the long-term equity investment, investment property measured at cost method, fixed assets, construction in progress and intangible assets with a finite useful life may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. The recoverable amount of an asset or asset group is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset or asset group.

If such recoverable amount is less than its carrying amount, a provision for impairment losses in respect of the deficit is recognised in profit or loss for the period.

Goodwill should be tested for impairment at least at the end of each year. For the purpose of impairment testing, goodwill is considered together with the related assets group(s), i.e., goodwill is reasonably allocated to the related assets group(s) or each of assets group(s) expected to benefit from the synergies of the combination. An impairment loss is recognized if the recoverable amount of the assets group or sets of assets groups (including goodwill) is less than its carrying amount. The impairment loss is firstly allocated to reduce the carrying amount of any goodwill allocated to such assets group or sets of assets groups, and then to the other assets of the group pro-rata on the basis of the carrying amount of each asset (other than goodwill) in the group.

Once the impairment loss of such assets is recognized, it is not be reversed in any subsequent period.

### 19. Long-term prepaid expenses

Long-term prepaid expenses represent expenses incurred that should be borne and amortized over the current and subsequent periods (together of more than one year). Long-term prepaid expenses are amortized using the straight-line method over the expected periods in which benefits are derived.

### 20. Employee benefits

#### 20.1. Accounting method for short-term employee benefits

Actually occurred short-term employee benefits are recognized as liabilities, with a corresponding charge to the profit or loss for the period or in the costs of relevant assets in the accounting period in which employees provide services to the Group. Staff welfare expenses incurred by the Group are recognized in profit or loss for the period or the costs of relevant assets based on the actually occurred amounts when it actually occurred. Non-monetary staff welfare expenses are measured at fair value.

Payment made by the Group of social security contributions for employees such as premiums or contributions on medical insurance, work injury insurance and maternity insurance, etc. and payments of housing funds, as well as union running costs and employee education costs provided in accordance with relevant requirements, are calculated according to prescribed bases and percentages in determining the amount of employee benefits and recognized as relevant liabilities, with a corresponding charge to the profit or loss for the period or the costs of relevant assets in the accounting period in which employees provide services.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## III. SIGNIFICANT ACCOUNTING POLICIES, and ACCOUNTING ESTIMATES *(continued)*

### 20. Employee benefits *(continued)*

#### 20.2. Accounting method for post-employment benefits

Post-employment benefits are all defined contribution.

The contribution payable to the defined contribution plan is recognized as liabilities, with a corresponding charge to the profit or loss for the period or in the costs of relevant assets in the accounting period in which employees provide services to the Group.

#### 20.3. Accounting method for termination benefits

When the Group provides termination benefits to employees, employee benefit liabilities are recognized for termination benefits, with a corresponding charge to the profit or loss for the period at the earlier of: (1) when the Group cannot unilaterally withdraw the offer of termination benefits because of the termination plan or a curtailment proposal; and (2) when the Group recognizes costs or expenses related to restructuring that involves the payment of termination benefits.

### 21. Revenue

#### 21.1. Toll revenue

Toll revenue, the income from operation of toll roads, is recognized on a receipt basis.

#### 21.2. Revenue from rendering of services

Revenue from rendering of services of the Group include: ancillary services and emergency assistance, advertising income etc. The revenue from rendering of services is recognized when services are rendered, the amount of revenue can be measured reliably, and it is probable that the associated economic benefits will flow to the Group.

#### 21.3. Revenue from sale of goods

Revenue from sale of goods is recognized when (i) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; (ii) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (iii) the amount of revenue can be measured reliably; (iv) it is probable that the associated economic benefits will flow to the Group; and (v) the associated costs incurred or to be incurred can be measured reliably.

#### 21.4. Revenue from sales of properties

Revenue from sales of properties is recognized when the relevant procedures of properties are completed and the properties are transferred to buyer of real estate. Amount received of pre-sales of properties are recorded in the accounts of receipts in advance.

#### 21.5. Interest income

Interest income is accrued on a time basis, by reference to the effective interest rate applicable.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## III. SIGNIFICANT ACCOUNTING POLICIES, AND ACCOUNTING ESTIMATES

(continued)

### 22. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. Government grants are classified as grants related to assets and grants related to income, according to the grant objects which have been clearly defined in the government documents.

A government grant is recognized only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant. If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable.

#### 22.1. Basis of judgment and accounting methods for assets-related government grant

The Groups' government grant includes grants received aimed to create long-term asset by constructing or other methods. This grant is classified as assets-related government grant.

A government grant related to an asset is recognized as deferred income, and evenly amortized to profit or loss over the useful life of the related asset.

#### 22.2. Basis of judgment and accounting methods for income-related government grant

The Groups' government grant includes subsidies for environment protection and research funding. This grant is classified as income-related government grant.

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, it is recognized as deferred income, and recognized in profit or loss over the periods in which the related costs are recognized. If the grant is a compensation for related expenses or losses already incurred, it is recognized immediately in profit or loss for the period.

### 23. Deferred tax assets/deferred tax liabilities

The income tax expenses include current income tax and deferred income tax.

#### 23.1. Current income tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

#### 23.2. Deferred tax assets and deferred tax liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognized as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognized using the balance sheet liability method.

Deferred tax is generally recognized for all temporary differences. Deferred tax assets for deductible temporary differences are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognized.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## III. SIGNIFICANT ACCOUNTING POLICIES, AND ACCOUNTING ESTIMATES

*(continued)*

### 23. Deferred tax assets/deferred tax liabilities *(continued)*

#### 23.2. Deferred tax assets and deferred tax liabilities *(continued)*

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilized.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realized or the liability is settled.

Current and deferred tax expenses or income are recognised in profit or loss for the period, except when they arise from transactions or events that are directly recognised in other comprehensive income or in shareholders' equity, in which case they are recognised in other comprehensive income or in shareholders' equity; and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilized. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

#### 23.3. Offsetting of income taxes

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## III. SIGNIFICANT ACCOUNTING POLICIES, AND ACCOUNTING ESTIMATES

(continued)

### 24. Operating leases and finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### 24.1. Accounting treatment on operating leases

##### 24.1.1. The Group as lessee under operating leases

Operating lease payments are recognized on a straight-line basis over the term of the relevant lease, and are either included in the cost of related asset or charged to profit or loss for the period. Initial direct costs incurred are charged to profit or loss for the period. Contingent rents are charged to profit or loss in the period in which they are actually incurred.

##### 24.1.2. The Group as lessor under operating leases

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs with more than an insignificant amount are capitalized when incurred, and are recognized in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss in the period in which they are incurred. Contingent rents are charged to profit or loss in the period in which they actually arise.

### 25. Changes in significant accounting policies and accounting estimates

#### 25.1. Changes in accounting policies

The Group has early applied in the financial statements of 2013 for the amendments to Accounting Standard for Business Enterprises No.2 – Long-term Equity Investments (CAS 2), Accounting Standard for Business Enterprises No.9 – Employee Benefits (CAS 9), Accounting Standard for Business Enterprises No. 30 – Presentation of Financial Statements (CAS 30), Accounting Standard for Business Enterprises No.33 – Consolidated Financial Statements (CAS 33), and the new standards of Accounting Standard for Business Enterprises No. 39 – Fair Value Measurement (CAS 39), Accounting Standard for Business Enterprises No.40 – Joint Arrangements (CAS 40) issued by Ministry of Finance from January to March 2014. For the adoption of amendment to Accounting Standard for Business Enterprises No. 37 – Presentation of Financial Instruments (CAS 37) and new standard of Accounting Standard for Business Enterprises No. 41 – Disclosure of Interests in Other Entities (CAS 41) issued after the financial statements of 2013 have been described in below table.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## III. SIGNIFICANT ACCOUNTING POLICIES, AND ACCOUNTING ESTIMATES

(continued)

### 25. Changes in significant accounting policies and accounting estimates (continued)

#### 25.1. Changes in accounting policies (continued)

Changes in accounting policies and reasons	Approval procedures
<p>The Group has applied new standards of Accounting Standard for Business Enterprises No. 41 – Disclosure of Interests in Other Entities (CAS 41) issued by the Ministry of Finance in 2014 in the half year financial statement; moreover, the Group has applied Accounting Standard for Business Enterprises No. 37– Presentation of Financial Instruments (CAS 37) revised by the Ministry of Finance for the first time in 2014 annual financial statements.</p> <p><b>Presentation of financial instruments</b></p> <p>Accounting Standard for Business Enterprises No. 37 – Presentation of Financial Instruments (Revised) adds the requirements regarding offsetting and disclosures, the disclosure requirements on the transfer of financial assets, and revised disclosure requirements on the maturity analysis for financial assets and financial liabilities. The financial statements have been prepared in accordance with CAS 37, and the disclosure in the notes to the comparative financial statements had been adjusted accordingly.</p> <p><b>Disclosure of interests in other entities</b></p> <p>Accounting Standard for Business Enterprises No. 41 – Disclosure of Interests in Other Entities applies to the disclosure of an entity’s interest in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Adopting CAS 41 results in more extensive disclosure in the notes to the entity’s financial statements. Required disclosures have been made in the financial statements in accordance with CAS 41, and the notes to the comparative financial statements had been adjusted accordingly.</p>	<p>CAS 41 – Disclosure of interests in other entities have been approved at the 15th meeting of the 7th Board of Directors on 25 August 2014.</p> <p>CAS 37 – Presentation of financial instruments have been approved at the 19th meeting of the 7th Board of Directors on 27 March 2015.</p>

#### 25.2. Changes in accounting estimates

Changes in accounting estimates and reasons	Approval procedures	Adoption Period
<p>According to the progress of the Company’s modernization and the judgments on the future usage of relevant ancillary facilities of expressway, the original categories of fixed assets of the Group cannot satisfy the requirements of assets management, and the expected useful life and ratio of residual value of certain categories of fixed assets also changed. The Company adopted prospective application method to make adjustments to the categories, use life and residuals rate of certain fixed assets.</p>	<p>Upon approval at the 15th meeting of the 7th Board of Directors on 25 April 2014</p>	<p>From 1 January 2014</p>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### III. SIGNIFICANT ACCOUNTING POLICIES, AND ACCOUNTING ESTIMATES

(continued)

#### 25. Changes in significant accounting policies and accounting estimates (continued)

##### 25.2. Changes in accounting estimates (continued)

The category, depreciation period, residual rate and depreciation rate of the Group's fixed assets are as follows before the change in accounting estimates:

Category	Depreciation period (years)	Residual value rate (%)	Annual depreciation rate (%)
Buildings	30	3	3.2
Safety equipment	10	3	9.7
Communication and surveillance equipment	10	3	9.7
Toll and ancillary equipment	8	3	12.1
Motor vehicles	10	3	9.7
Other machine and equipment	8-10	3	9.7-12.1

The category, depreciation period, residual rate and depreciation rate of the Group's fixed assets are as follows after the change in accounting estimates:

Category	Depreciation period (years)	Residual value rate (%)	Annual depreciation rate (%)
Buildings	10-30	0	3.33-10
Safety equipment	10	3	9.7
Communication and surveillance equipment	8	3	12.1
Toll and ancillary equipment	8	3	12.1
Machine and equipment	10	3	9.7
Electronic equipment	5	3	19.4
Motor vehicles	8	3	12.1
Furniture and others	5	3	19.4

The impact of the changes in accounting estimate on the financial statements:

Unit:RMB

The impact on the financial statements	The Consolidated financial statements	The Company's financial statements
Decrease of fixed assets	30,341,865	27,181,946
Increase of operating costs	30,073,991	26,941,969
Increase of administrative expenses	267,874	239,977
Decrease of taxes payable	7,585,466	6,795,486
Decrease of income tax expenses	7,585,466	6,795,486
Decrease of profit of loss attributable to minority interests	355,491	—
Decrease of minority interests	355,491	—
Decrease of net profit attributable to owners of the Company	22,400,908	20,386,460
Decrease of total shareholders' equity attributable to equity holders of the Company	22,400,908	20,386,460

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## IV. CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES

In the application of the Group's accounting policies, which are described in Note III, the Group is required to make judgments, estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately, due to the internal uncertainty of the operating activities. These judgments, estimates and assumptions are based on historical experiences of the Group's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates.

The aforementioned judgments, estimates and assumptions are reviewed regularly on a going concern basis. The effect of a change in accounting estimate is recognised in the period of the change, if the change affects that period only; or recognised in the period of the change and future periods, if the change affects both.

- Key assumptions and uncertainties in accounting estimates

### **Amortization of toll road operation rights**

Amortization of the toll road operation rights are calculated to write off their cost, commencing from the date of commencement of commercial operation of the toll roads, based on the ratio of actual traffic volume compared to the total expected traffic volume of the toll roads.

The management exercises their judgment in estimating the total expected traffic volume of the toll roads during the operating period. When there is large difference between actual and expected traffic volume, the management will exercises their judgment in the accuracy of the expected traffic volume and adjust the future amortization per traffic volume.

### **Estimated impairment of toll road operation rights**

Determining whether toll road operation rights are impaired requires an estimation of the recoverable amount.

In measuring the recoverable amount of the toll road operation rights, the Group has looked at the value in use based on the following factors: the current and expected future traffic volume, current and expected future toll fee level, length of operating rights, maintenance costs and discount rate.

In arriving at the recoverable amount of the toll road operation rights, the management exercised their judgment with reference to these Relevant Factors in estimating the recoverable amounts of the toll road operation rights. As a result, the management considered that the recoverable amounts are above their carrying amounts and no impairment was made accordingly.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### V. TAXES

#### Major categories of taxes and tax rates

Category of tax	Basis of tax computation	Tax rate
Value Added Tax ("VAT")	The purchase and sale of goods output VAT less deductible input VAT	17%
	Advertisement income output VAT less deductible input VAT	6%
Business Tax	Toll income	3%
	Maintenance income	5%
	Food and beverage income	5%
	Real Estate rental income and Real Estate sales income	5%
City maintenance and construction tax	Actual paid business tax and VAT	5%-7%
Educational surtax and surcharge	Actual paid business tax and VAT	5%
Land appreciation tax	The taxable appreciation amount when land is invested out	progressive rates ranging from 30% to 60%
Enterprise income tax	Taxable income	25%

### VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

#### 1. Cash and bank balances

Unit: RMB

Item	Closing balance			Opening balance		
	Foreign currency	Exchange rate	Amount in RMB	Foreign currency	Exchange rate	Amount in RMB
Cash:						
RMB			268,446			353,222
Bank balances:						
RMB			564,473,272			374,710,977
USD	1,372	6.1190	8,393	1,371	6.0969	8,359
HKD	1,357,059	0.7889	1,070,584	1,327,050	0.7862	1,043,327
Other currency funds:						
RMB			32,429,758			33,060,861
Total			598,250,453			409,176,746

Other explanations:

Other currency funds stated above includes customer mortgage deposit RMB4,542,732, construction warranty fund RMB13,250,793 (opening balance RMB0).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 2. Financial assets at Fair Value through Profit or Loss (“FVTPL”)

Unit: RMB

Items	Closing fair value	Opening fair value
Held-for-trading financial assets		
Including: Fund investment	24,539,264	20,175,395
Gold investment	14,412,558	—
Total	<u>38,951,822</u>	<u>20,175,395</u>

Held-for-trading financial assets of the Group are open fund investment and gold investment. The cost of investment is RMB20,000,000 and RMB15,710,238 respectively; the closing fair value is RMB24,539,264 and RMB14,412,558. The above information of closing market price was quoted by relevant open sourced information of the fund and gold market.

### 3. Notes receivable

- (1) Disclosure of notes receivable by categories:

Unit: RMB

Category	Closing balance	Opening balance
Bank acceptance notes	<u>2,518,000</u>	<u>149,843</u>

- (2) The group has no pledged notes receivable at the year end.
- (3) There is no endorsed or discounted notes receivable that is not yet due at the end of the year.
- (4) There is no notes receivable transferred to accounts receivable due to the default of the drawers.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 4. Accounts receivable

(1) Disclosure of accounts receivable by categories:

Unit: RMB

Category	Closing balance					Opening balance				
	Carrying amount		Bad debt provision		Net book value	Carrying amount		Bad debt provision		Net book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable that are individually significant and for which bad debt provision has been assessed individually	—	—	—	—	—	—	—	—	—	—
Accounts receivable for which bad debt provision has been assessed by portfolios	96,309,566	100	183,860	100	96,125,706	51,443,626	100	—	—	51,443,626
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually	—	—	—	—	—	—	—	—	—	—
<b>Total</b>	<b>96,309,566</b>	<b>100</b>	<b>183,860</b>	<b>100</b>	<b>96,125,706</b>	<b>51,443,626</b>	<b>100</b>	<b>—</b>	<b>—</b>	<b>51,443,626</b>

Accounts receivable portfolios for which bad debt provision has been assessed using the percentage of total receivables outstanding approach:

Unit: RMB

Name of portfolio	Accounts receivable	Closing balance	
		Bad debt provision	Proportion (%)
Portfolio 2	9,193,001	183,860	2
<b>Total</b>	<b>9,193,001</b>	<b>183,860</b>	<b>2</b>

Basis for determining the above portfolio: See Note (III) 10.2.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 4. Accounts receivable (continued)

(2) The aging analysis of accounts receivable is as follows:

Unit: RMB

Aging	Carrying amount	Closing balance			Carrying amount	Opening balance		
		Proportion (%)	Bad debt provision	Net book value		Proportion (%)	Bad debt provision	Net book value
Within 1 year	96,309,566	100	183,860	96,125,706	51,443,626	100	—	51,443,626
More than 1 year but not exceed 2 years	—	—	—	—	—	—	—	—
More than 2 years but not exceeding 3 years	—	—	—	—	—	—	—	—
More than 3 years	—	—	—	—	—	—	—	—
<b>Total</b>	<b>96,309,566</b>	<b>100</b>	<b>183,860</b>	<b>96,125,706</b>	<b>51,443,626</b>	<b>100</b>	<b>—</b>	<b>51,443,626</b>

(3) Provision recorded and written off in the current year

Provision recorded in the current year is RMB183,860.

(4) Top five entities with the largest balances of accounts receivable

Unit: RMB

	Amount	Bad debt provision	Proportion of the amount to the total accounts receivable (%)
Jiangsu Expressway Network Operation and Management Co., Ltd.	23,706,602	—	25
Sinopec Sales Co., Ltd. Jiangsu Branch	19,477,638	—	20
Suzhou Sujiahang Expressway Co., Ltd.	9,018,563	—	9
Suzhou Circular Expressway Co., Ltd.	4,089,483	—	4
Nanjing fourth Yangtze River Bridge Company Limited	3,106,523	—	3
<b>Total</b>	<b>59,398,809</b>	<b>—</b>	<b>61</b>

(5) Other explanations

Majority toll road and Ancillary Services income are settled by cash, others are settled by receipts in advance. The accounts receivable mainly represent the receivables due from other toll operation companies by toll network internal income reallocation.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 5. Prepayments

(1) The aging analysis of prepayments is as follows:

Unit: RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	265,992,752	100	16,157,355	77
1-2 year	24,285	—	4,871,387	23
2-3 year	2,000	—	—	—
Total	<u>266,019,037</u>	<u>100</u>	<u>21,028,742</u>	<u>100</u>

(2) Top five entities with the largest balances of prepayments

Unit: RMB

Name of entity	Amount	Proportion of the amount to the total prepayments (%)
Nanjing Finance Bureau	250,000,000	94
Sinopec Jiangsu Petroleum Company	5,577,722	2
Urban and Rural Construction Science and Technology Service Center in Jurong	5,301,414	2
Jiangsu Electric Co., Ltd Kunshan branch	745,678	—
Suzhou Shipping Co., Ltd.	675,000	—
Total	<u>262,299,814</u>	<u>98</u>

### 6. Dividends Receivable

Unit: RMB

The invested entity	Closing balance	Opening balance
Jiangsu Kuailu Motor Transport Co., Ltd.	<u>4,989,960</u>	<u>4,989,960</u>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 7. Other receivables

(1) Disclosure of other receivables by categories:

Unit: RMB

Category	Closing balance				Net book value	Opening balance				Net book value
	Carrying amount		Bad debt provision			Carrying amount		Bad debt provision		
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables that are individually significant and for which bad debt provision has been assessed individually	15,812,140	1	15,812,140	99	—	15,812,140	1	15,812,140	99	—
Other receivables for which bad debt provision has been assessed by portfolios	1,222,314,096	99	148,436	1	1,222,165,660	1,227,687,817	99	382,929	1	1,227,304,888
Other receivables that are not individually significant but for which bad debt provision has been assessed individually	—	—	—	—	—	—	—	—	—	—
<b>Total</b>	<b>1,238,126,236</b>	<b>100</b>	<b>15,960,576</b>	<b>100</b>	<b>1,222,165,660</b>	<b>1,243,499,957</b>	<b>100</b>	<b>16,195,069</b>	<b>100</b>	<b>1,227,304,888</b>

Other receivable that are individually significant and for which bad debt provision has been assessed individually:

Unit: RMB

Other receivables (According to entity)	Closing balance			Reasons
	Other receivables	Bad debt provision	Proportion (%)	
Yicao Road Management Office	15,812,140	15,812,140	100	Age over 3 years, is not expected to be recovered

Other receivables portfolios for which bad debt provision have been assessed using the percentage of total receivables outstanding approach:

Unit: RMB

Name of portfolio	Closing balance		Proportion (%)
	Other receivables	Bad debt provision	
portfolio 2	7,421,818	148,436	2

Basis for determining the above portfolio please refer to Note (III)10.2.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 7. Other receivables (continued)

(2) Provision recorded and written off in the current year

Provision reversal in the current year is RMB234,493.

(3) Disclosure of other receivables by nature:

Unit: RMB

Nature	Closing balance	Opening balance
Receivables from disposal stations of 312 National Highway	1,124,177,798	1,124,177,798
Receivables from disposal of Zhenjiang branch	74,033,640	84,033,640
Investment liquidation accounts	15,812,140	15,812,140
Advance for projects	5,000,000	—
Petty cash	3,780,500	3,667,500
Maintenance funds	3,507,153	67,661
Construction warranty fund	1,600,000	1,600,000
Compensation income from damaged road	1,136,737	1,318,234
Other miscellaneous receivables	9,078,268	12,822,984
Total	1,238,126,236	1,243,499,957

(4) Top five entities with the largest balances of other receivables

Unit: RMB

Name of entity	Nature of other receivables	Amount	Aging	Proportion of the amount to total other receivables (%)	Closing balance of bad debt provision
Jiangsu Provincial Government	Disposal stations of 312 National Highway	1,124,177,798	2-3 years	91	—
Zhenjiang Investment and Construction Development Company	Receivables from disposal of Zhenjiang branch	74,033,640	1-2 years	6	—
Yicao Road Management Office	Investment liquidation accounts	15,812,140	Over 3 years	1	15,812,140
Bureau of Transportation in Jingjiang	Advance for projects	5,000,000	Within 1 year	—	—
Jiangsu Zhengxinhe Communication Development Co. Ltd.	Lease transaction	2,928,000	Within 1 year	—	—
Total		1,221,951,578		98	15,812,140

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 7. Other receivables (continued)

##### (5) Other explanations

On 6 July 2012, the Company received the “Notice from the Office of Jiangsu Provincial Government in respect of the removal or relocation of certain toll stations and related issues” (Suzhengban Fa [2012] No. 126) (the “Notice”) issued by the Office of the Jiangsu Provincial Government. According to the Notice, the Company removed Nanjing Toll Station, Luoshe Toll Station (including Yanqiao Toll Station) and Xilin Toll Station that along the 312 National Highway (the “312 Toll Stations”). Jiangsu Provincial Government issued “Approval on compensation for removal of the 312 Toll Stations” (Suzheng Fu [2012] No.115) on 31 December 2013 and committed to compensate for the loss incurred. The compensation was agreed to the net book value of related removed toll road operation rights. As a result, the Company recognized compensation receivables from Jiangsu Provincial Government at RMB1,124,177,798. By the end of the year, the Company has not received the amount. The Company has received acknowledgement of compensation from Jiangsu Communications Holding Company Limited in March 2015, who promised to repay the full amount of the compensation in cash instead of the government.

In order to speed up the urbanization construction, Zhenjiang Government spent RMB210,084,100 acquiring Ninghu Expressway (Jiangsu section) Zhenjiang branch (“Zhenjiang branch”) in 2013. Zhenjiang Government signed the acquisition contract with the Company which included “Shanghai-Nanjing Expressway (Jiangsu section) Zhenjiang branch transfer contract” and “Shanghai-Nanjing Expressway (Jiangsu section) Zhenjiang branch transfer contract payment agreement. By the end of the current year, there is still RMB74,033,640, which has not received yet. By the date of signing the financial statements, all of the outstanding receivables have settled.

#### B. Inventories

Categories of inventories

Unit: RMB

Item	Closing balance			Opening balance		
	Gross carrying amount	Provision for decline in value of inventories	Net carrying amount	Gross carrying amount	Provision for decline in value of inventories	Net carrying amount
Properties under development	1,875,234,170	—	1,875,234,170	2,204,581,864	—	2,204,581,864
Properties for sale	1,193,745,734	—	1,193,745,734	618,421,379	—	618,421,379
Spare parts for repair and maintenance	13,949,565	—	13,949,565	11,926,629	—	11,926,629
Petrol	8,216,484	—	8,216,484	9,647,864	—	9,647,864
<b>Total</b>	<b>3,091,145,953</b>	<b>—</b>	<b>3,091,145,953</b>	<b>2,844,577,736</b>	<b>—</b>	<b>2,844,577,736</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### B. Inventories (continued)

Details of properties under development are as follows:

Unit: RMB

Project name	Commencement date	Estimated completion date	Estimated total investment amount	Opening balance	Closing balance
Huaqiao Urban Core Project	November 2012	December 2017	1,934,000,000	694,473,925	534,334,226
Suzhou Nanmen Road G25 Project	May 2015	March 2017	1,146,000,000	568,550,495	570,913,691
Baohua Hongyan Community AB Project	April 2014	April 2019	3,218,500,000	941,557,444	769,986,253
Total			<u>6,298,500,000</u>	<u>2,204,581,864</u>	<u>1,875,234,170</u>

Details of properties for sale are as follows:

Unit: RMB

Project name	Completion date	Opening balance	Addition	Decrease	Closing balance
Huaqiao Urban Core C4 Tongcheng Hongqiao Mansion	August 2012	19,237,762	28,792	7,190,303	12,076,251
Suzhou Qingyuan	December 2013	599,183,617	25,796,213	—	624,979,830
Huaqiao Urban Core C7 Pujiang Building Project	June 2014	—	378,826,331	—	378,826,331
Baohua Hongyan Community B1 Tongchengshijia Project	April 2014	—	367,773,052	189,909,730	177,863,322
Total		<u>618,421,379</u>	<u>772,424,388</u>	<u>197,100,033</u>	<u>1,193,745,734</u>

Analysis of land use right in inventories by location and by useful life is as follows:

Unit: RMB

Located in PRC	Closing balance	Opening balance
Medium-term land use rights (10-50 years)	<u>1,926,992,676</u>	<u>1,926,992,676</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 8. Inventories (continued)

Details information of properties under development are as follows:

Project name	Address	Purpose	The acreage of land (square meter)	Attributable equity interest of the Group	Stage of completion	Completion date
Baohua Hongyan Community B2 Tongchengshijia Project	Jurong Baohua Hongyan Community Xianlin East Road No. 8	House	127,736	100	In progress	June 2016
Baohua Hongyan Community A1 Tongchengshijia Project	Jurong Baohua Hongyan Community Xianlin East Road No. 8	House	64,700	100	Not start	April 2018
Baohua Hongyan Community A2 Tongchengshijia Project	Jurong Baohua Hongyan Community Xianlin East Road No. 8	House	79,652	100	Not start	April 2019
Suzhou Nanmen Road G25 Project	Suzhou Nanmen Road	House	30,665	100	Not start	March 2017
Huaqiao Urban Core C5Yufuhao Project	Kunshan Huaqiao business core area	Hotel	20,837	100	In progress	April 2016
Huaqiao Urban Core C3	Kunshan Huaqiao business core area	House	21,275	100	Not start	December 2017
Huaqiao Urban Core B4 Guangmingjiezuo Project	Kunshan Huaqiao business core area	House	13,591	100	In progress	June 2015
Huaqiao Urban Core B18	Kunshan Huaqiao business core area	House	13,818	100	Not start	March 2017
Huaqiao Urban Core B19 Guangmingxinzu Project	Kunshan Huaqiao business core area	House	13,844	100	In progress	December 2017

Details information of properties for sale are as follows:

Project name	Address	Purpose	The acreage of sold but not yet delivered (square meter)	The acreage of to be sold (square meter)	Attributable equity interest of the Group	Stage of completion	Completion date
Suzhou Qingyuan	Suzhou Xinshilu Road No. 298	House	—	22,662	100	Completed	December 2013
Baohua Hongyan Community B1 Tongchengshijia Project	Jurong Baohua Hongyan Community Xianlin East Road No. 8	House	1,431	43,709	100	Completed	April 2016
Huaqiao C4 Tongcheng Hongqiao Mansion	Kunshan Huaqiao business core Xiqiao Road No. 158	House	79	42,237	100	Completed	August 2012
Huaqiao Urban Core C7 Pujiang Building Project	Kunshan Huaqiao business core Yunqiao Road No. 118	Office building	—	53,370	100	Completed	June 2014

### 9. Other current assets

Unit: RMB

Item	Closing balance	Opening balance
Available for sale financial assets- Financial management products	206,750,000	147,000,000
Business taxes and levies related to real estate sales paid in advance	24,886,482	28,082,464
<b>Total</b>	<b>231,636,482</b>	<b>175,082,464</b>

Financial management products represent “Jubaocai fu 2014 Wenying No. 247” and “Jubaocai fu 2014 Wenying No. 277” issued by Bank of Jiangsu, “Guangying’anxin (type B)” issued by Guangdong Development Bank, “Bubushengjin No. 8688” issued by China Merchants Bank and “91 days fixed rate monetary financial products” issued by Industrial and Commercial Bank of China. These products are capital preservation with floating income.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 10. Available-for-sale financial assets

#### (1) Available-for-sale financial assets

Unit: RMB

Item	Closing balance			Opening balance		
	Gross carrying amount	Impairment provision	Net carrying amount	Gross carrying amount	Impairment provision	Net carrying amount
Available-for-sale equity instruments Measured at cost	1,290,725,956	—	1,290,725,956	1,290,725,956	—	1,290,725,956

#### (2) Available-for-sale financial assets measured at cost

Unit: RMB

Investee	Carrying amount			Impairment provision			Closing balance	The proportion of shareholding in the Investee (%)	Cash dividends in the year
	Opening balance	Addition	Decrease	Closing balance	Opening balance	Addition			
Jiangsu Expressway Network Operation and Management Co., Ltd. ("Network Operation Company")	10,460,000	—	—	10,460,000	—	—	—	7.24	—
Jiangsu Sundian Engineering Co., Ltd. ("Sundian")	7,367,500	—	—	7,367,500	—	—	—	15.00	—
Bank of Jiangsu Co., Ltd. ("Bank of Jiangsu")	1,000,000,000	—	—	1,000,000,000	—	—	—	1.92	16,000,000
Jiangsu Leasing Co., Ltd. ("Jiangsu Leasing")	270,898,456	—	—	270,898,456	—	—	—	9.97	17,550,000
Shenzhen Ruijin Co., Ltd.	2,000,000	—	—	2,000,000	—	—	—	17.24	—
Total	1,290,725,956	—	—	1,290,725,956	—	—	—	—	33,550,000

The ending balance of the equity investment to the foregoing investees by the group is RMB1,290,725,956. Since the stocks of the investees have not quoted in an active market and the fair value could not be reliably measured, the Group measures them based on the cost. The group has intention to continue to hold the equity of the invested entities in the next year.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 11. Long-term equity investments

Unit: RMB

Investee	Opening balance	Changes in the current year					Declaration of cash dividends or profits	Provision for impairment losses	Closing balance	Closing balance of impairment loss
		Increase	Decrease	Investment income under the equity method	Adjustment of other comprehensive income	Other changes in equity				
Associates										
Jiangsu Kuailu Motor Transport Co., Ltd. ("Kuailu Co., Ltd.")	64,181,065	—	—	(1,267,601)	—	—	—	—	62,913,464	—
Jiangsu Yangtze Bridge Co., Ltd. ("Yangtze Bridge")	1,000,463,785	—	—	101,681,151	93,030,727	(1,586,347)	(56,983,566)	—	1,136,605,750	—
Suzhou Sujiahang Expressway Co., Ltd. ("Sujiahang")	771,707,729	—	—	116,333,102	—	—	(42,092,000)	—	845,948,831	—
Suzhou Sujiaiyong Expressway Co., Ltd. ("Sujiaiyong")	188,937,219	105,015,240	—	(39,359)	—	—	—	—	293,913,100	—
Jiangsu Xiexin Gas Co., Ltd. ("Xiexin")	2,880,000	1,846,100	—	(1,299,407)	—	—	—	—	3,426,693	—
Suzhou Nanlin Hotel Co., Ltd. ("Nanlin Hotel")	169,359,421	—	—	(68,255)	—	—	—	—	169,291,166	—
Jiangsu Yanjiang Expressway Co., Ltd. ("Yanjiang")	1,585,311,928	—	—	97,921,906	—	—	(28,786,034)	—	1,654,447,800	—
Jiangsu Luode Equity Investment Fund Management Co., Ltd. ("Luode")	4,518,784	5,850,000	—	(2,324,319)	—	—	—	—	8,044,465	—
<b>Total</b>	<b>3,787,359,931</b>	<b>112,711,340</b>	<b>—</b>	<b>310,937,218</b>	<b>93,030,727</b>	<b>(1,586,347)</b>	<b>(127,861,600)</b>	<b>—</b>	<b>4,174,591,269</b>	<b>—</b>

The foregoing companies are all unlisted company registered in PRC.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 12. Investment properties

(1) Investment properties measured at cost

Unit: RMB

Item	Buildings
<b>I. Total original carrying amount</b>	
1. Opening carrying amount	39,378,877
2. Increase in the current year	—
3. Decrease in the current year	6,614
(1) Other transfer	6,614
4. Closing carrying amount	39,372,263
<b>II. Total accumulated depreciation and amortization</b>	
1. Opening carrying amount	3,963,731
2. Increase in the current year	1,123,696
(1) Amount accrued or amortized	1,123,696
3. Decrease in the current year	—
4. Closing carrying amount	5,087,427
<b>III. Total provision for impairment losses</b>	
1. Opening carrying amount	—
2. Increase in the current year	—
3. Decrease in the current year	—
4. Closing carrying amount	—
<b>IV. Total net book value of investment properties</b>	
1. Closing net book value	34,284,836
2. Opening net book value	35,415,146

(2) Detail information of Investment properties are as follows:

Project Name	Address	Purpose	Term of lease
Zhongshan Meilu villa	Nanjing Qixia District Jinma Road No. 18	Commercial	Short-term
Kunshan Huijie office building and AB floor store and 3 offices	Kunshan People's south road No. 888	Commercial	Medium-term



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 13. Fixed assets

#### (1) Fixed assets

Unit: RMB

Item	Communication and Toll and ancillary Machinery Electronic Motor Furniture and others								Total
	Buildings	Safety equipment	surveillance equipment	equipment	and equipment	equipment	vehicles	and others	
<b>I. Total original carrying amount</b>									
1. Opening carrying amount	875,873,415	424,909,759	268,031,800	288,129,391	427,650,724	—	158,144,166	—	2,442,739,255
2. Increase in the current year	129,048,029	73,554,669	93,657,835	28,801,596	78,621,893	48,706,559	5,872,628	19,353,872	477,617,081
(1) Purchase	2,750,610	831,136	1,578,766	10,268,497	19,383,719	5,060,274	5,872,628	1,698,328	47,443,958
(2) Transferred from intangible assets	—	42,998,568	—	—	—	—	—	—	42,998,568
(3) Transferred from construction in progress	66,181,898	29,724,965	85,397,415	18,533,099	12,252,960	1,735,282	—	727,424	214,553,043
(4) Reclassification	60,115,521	—	6,681,654	—	46,985,214	41,911,003	—	16,928,120	172,621,512
3. Decrease in the current year	18,530,213	30,110,601	34,441,464	22,647,282	88,418,716	5,259,269	95,985,190	1,026,190	296,418,925
(1) Disposal or retirement	17,641,685	7,063,332	29,895,122	21,407,247	32,405,454	5,259,269	8,210,586	1,026,190	122,908,885
(2) Transferred to construction in progress	888,528	—	—	—	—	—	—	—	888,528
(3) Reclassification	—	23,047,269	4,546,342	1,240,035	56,013,262	—	87,774,604	—	172,621,512
4. Closing carrying amount	986,391,231	468,353,827	327,248,171	294,283,705	417,853,901	43,447,290	68,031,604	18,327,682	2,623,937,411
<b>II. Total accumulated depreciation</b>									
1. Opening carrying amount	326,004,087	315,068,188	173,082,135	155,648,313	281,555,835	—	91,832,277	—	1,343,190,835
2. Increase in the current year	79,890,741	48,624,883	43,119,799	22,728,882	52,495,211	31,929,912	8,265,835	12,371,135	299,426,398
(1) Amount accrued	38,585,328	36,160,465	42,476,774	22,728,882	29,246,694	7,482,266	8,265,835	2,011,263	186,957,507
(2) Transferred from intangible assets	—	12,464,418	—	—	—	—	—	—	12,464,418
(3) Reclassification	41,305,413	—	643,025	—	23,248,517	24,447,646	—	10,359,872	100,004,473
3. Decrease in the current year	5,856,323	6,875,068	29,356,225	20,607,167	67,077,807	5,530,126	68,852,893	970,600	205,126,209
(1) Disposal or retirement	5,114,225	6,815,321	28,990,420	20,353,877	29,286,477	5,530,126	7,318,592	970,600	104,379,638
(2) Transferred to construction in progress	742,098	—	—	—	—	—	—	—	742,098
(3) Reclassification	—	59,747	365,805	253,290	37,791,330	—	61,534,301	—	100,004,473
4. Closing carrying amount	400,038,505	356,818,003	186,845,709	157,770,028	266,973,239	26,399,786	31,245,219	11,400,535	1,437,491,024
<b>III. Total provision for impairment losses</b>									
1. Opening carrying amount	—	—	—	—	—	—	—	—	—
2. Increase in the current year	—	—	—	—	—	—	—	—	—
3. Decrease in the current year	—	—	—	—	—	—	—	—	—
4. Closing carrying amount	—	—	—	—	—	—	—	—	—
<b>IV. Total net book value of fixed assets</b>									
1. Closing net book value	586,352,726	111,535,824	140,402,462	136,513,677	150,880,662	17,047,504	36,786,385	6,927,147	1,186,446,387
2. Opening net book value	549,869,328	109,841,571	94,949,665	132,481,078	146,094,889	—	66,311,889	—	1,099,548,420

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 13. Fixed assets (continued)

(2) Fixed assets leased out under operating leases

Unit: RMB

Item	Closing balance	Opening balance
Buildings	60,883,590	68,355,884

(3) Fixed assets of which certificates of title have not been obtained

Unit: RMB

Item	Amount	Reasons for not obtained certificates
Shanghai-Nanjing Expressway Lujia toll station	4,589,034	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Xuejia toll station	1,564,736	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Wuxi airport toll station	5,273,043	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Kunshan toll station	5,273,535	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Suzhou management offices	10,104,009	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Changzhou Luoshuwan buildings	3,491,225	Have not obtained certification yet.
Shanghai-Nanjing Expressway Changzhou ETC customer service branch buildings	1,081,707	Have not obtained certification yet.
Service zone office buildings	2,547,244	Have not obtained certification yet.
Shanghai-Nanjing Expressway Heyang toll station	2,123,176	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Zhenjiang toll station	12,483,468	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Danyang toll station	1,501,707	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway South Network Center and project management center houses	17,679,101	Incorporated into communication facilities and cannot obtain certification at present.
Buildings in Danyang toll station of Shanghai-Nanjing Expressway	14,469,946	Have not obtained certification yet.
Buildings in management areas and Xidong toll station	26,028,633	Transferred into fixed asset at estimate amount and not finally settlement yet.
Living buildings of management areas	2,267,183	Transferred into fixed asset at estimate amount and not finally settlement yet.
Buildings in Guangjing Xicheng Expressway service zone	58,929,282	Incorporated into communication facilities and cannot obtain certification at present.
<b>Total</b>	<b>169,407,029</b>	

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 14. Construction in progress

(1) Details of construction in progress are as follows:

Unit: RMB

Item	Closing balance		Net book value	Opening balance		Net book value
	Carrying amount	Provision for impairment losses		Carrying amount	Provision for impairment losses	
Suzhou inter-communication Expansion project	65,340,000	—	65,340,000	—	—	—
Housing projects of Toll stations and service zones	62,159,830	—	62,159,830	35,220,028	—	35,220,028
Jingjiang inter-communication expansion project	45,975,500	—	45,975,500	19,700,000	—	19,700,000
Information project	43,807,499	—	43,807,499	48,808,601	—	48,808,601
Three big system construction project	13,788,903	—	13,788,903	4,242,800	—	4,242,800
Noise barrier construction project	10,134,887	—	10,134,887	9,044,736	—	9,044,736
Advertisement board	4,578,310	—	4,578,310	1,469,873	—	1,469,873
Lighting system construction project	1,937,030	—	1,937,030	—	—	—
Others	11,078,412	—	11,078,412	9,222,378	—	9,222,378
<b>Total</b>	<b>258,800,371</b>	<b>—</b>	<b>258,800,371</b>	<b>127,708,416</b>	<b>—</b>	<b>127,708,416</b>

(2) Changes in significant construction in progress

Unit: RMB

Item	Budget amount	Opening balance	Increase in current year	Transfer to fixed assets	Other decreases	closing balance	Amount injected as a proportion of budget amount (%)	Construction progress	Amount of accumulated capitalized interest	Including: capitalized interest for the year	Interest capitalization rate for the year (%)	Source of funds
Suzhou intercommunication Expansion project	109,150,000	—	65,340,000	—	—	65,340,000	60	In progress	—	—	—	Own funds
Housing projects of Toll stations and service zones	179,249,400	35,220,028	84,159,787	57,219,985	—	62,159,830	35	In progress	—	—	—	Own funds
Jingjiang inter-communication expansion project	100,000,000	19,700,000	26,275,500	—	—	45,975,500	46	In progress	—	—	—	Own funds
Information project	85,014,790	48,808,601	47,806,599	52,807,701	—	43,807,499	52	In progress	—	—	—	Own funds
Three big system construction project	28,868,100	4,242,800	35,406,026	25,859,922	—	13,788,904	48	In progress	—	—	—	Own funds
Noise barrier construction project	32,800,000	9,044,736	18,262,819	17,172,668	—	10,134,887	31	In progress	—	—	—	Own funds
Advertisement board	11,359,980	1,469,873	7,762,604	4,654,167	—	4,578,310	81	In progress	—	—	—	Own funds
Lighting system construction project	25,500,000	—	1,937,030	—	—	1,937,030	99	In progress	—	—	—	Own funds
Others	N/A	9,222,378	58,694,633	56,838,600	—	11,078,411		In progress	—	—	—	Own funds
<b>Total</b>		<b>127,708,416</b>	<b>345,644,998</b>	<b>214,553,043</b>	<b>—</b>	<b>258,800,371</b>			<b>—</b>	<b>—</b>	<b>—</b>	

(3) The Group did not note any indicators of impairment; therefore there is no provision for impairment losses for construction in progress

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 15. Intangible assets

(1) Intangible assets

Unit: RMB

Item	Toll road operation rights	Land use rights	Software	Total
<b>I. Total original carrying amount</b>				
1. Opening carrying amount	21,684,707,798	1,720,207,956	—	23,404,915,754
2. Increase in the current year	—	—	8,385,484	8,385,484
(1) Purchase	—	—	8,385,484	8,385,484
3. Decrease in the current year	42,998,568	—	—	42,998,568
(1) Transferred to fix assets	42,998,568	—	—	42,998,568
4. Closing carrying amount	21,641,709,230	1,720,207,956	8,385,484	23,370,302,670
<b>II. Total accumulated amortization</b>				
1. Opening carrying amount	6,784,637,332	898,527,780	—	7,683,165,112
2. Increase in the current year	744,284,491	63,184,147	146,908	807,615,546
(1) Amortization accrued	744,284,491	63,184,147	146,908	807,615,546
3. Decrease in the current year	12,464,418	—	—	12,464,418
(1) Transferred to fix assets	12,464,418	—	—	12,464,418
4. Closing carrying amount	7,516,457,405	961,711,927	146,908	8,478,316,240
<b>III. Total provision for impairment losses</b>				
1. Opening carrying amount	—	—	—	—
2. Increase in the current year	—	—	—	—
3. Decrease in the current year	—	—	—	—
4. Closing carrying amount	—	—	—	—
<b>IV. Total net book value of intangible assets</b>				
Closing net book value	14,125,251,825	758,496,029	8,238,576	14,891,986,430
Opening net book value	14,900,070,466	821,680,176	—	15,721,750,642

Location and useful life analysis of land use right is as follows:

Located in PRC	Closing balance	Opening balance
Medium-term land use rights (10-50 years)	758,496,029	821,680,176

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 16. Long-term prepaid expenses

Unit: RMB

Item	Opening balance	Increase in the year	Amortization for the year	Other Decrease	Closing balance
Decorations for buildings	1,166,864	8,911,553	3,660,228	—	6,418,189

#### 17. Deferred tax assets/deferred tax liabilities

- (1) Deferred tax assets that are not offset

Unit: RMB

Items	Closing balance		Opening balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment losses of assets	16,144,436	4,036,109	16,195,069	4,048,767
Unrealized profits through internal transactions	167,081,456	41,770,364	23,255,542	5,813,886
Deductible losses	20,885,703	5,221,426	30,119,381	7,529,845
Prepayment of business tax and land appreciation tax for real estate pre-sale and so on	1,484,963	371,241	—	—
Total	205,596,558	51,399,140	69,569,992	17,392,498

- (2) Deferred tax liabilities that are not offset

Unit: RMB

Items	Closing balance		Opening balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Changes in fair values for held-for-trading financial assets	3,241,584	810,396	175,395	43,849
Real estate pre-sale	8,229,279	2,057,320	9,641,210	2,410,303
Total	11,470,863	2,867,716	9,816,605	2,454,152

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 17. Deferred tax assets/deferred tax liabilities (continued)

- (3) Net amount of deferred tax assets (liabilities) after offset

Unit: RMB

Items	Closing offset amount of deferred tax assets and deferred tax liabilities	Closing amount of deferred tax assets or liabilities after offset	Opening offset amount of deferred tax assets and deferred tax liabilities	Opening amount of deferred tax assets or liabilities after offset
Deferred tax assets	1,592,668	49,806,472	1,084,903	16,307,595
Deferred tax liabilities	1,592,668	1,275,048	1,084,903	1,369,249

- (4) Other explanations

The Group recognize deferred tax assets because the Group believes that it can obtain adequate taxable income to offset the deductible tax losses and deductible temporary differences in the future, according to the profit forecast results for the next five years.

### 18. Short-term borrowings

- (1) Categories of short-term borrowings:

Unit: RMB

Item	Closing balance	Opening balance
Unsecured loans	360,000,000	1,220,000,000
Including: Bank loans	170,000,000	1,030,000,000
Entrusted loans (note1)	190,000,000	190,000,000
Short-term bonds (note2)	1,000,000,000	2,000,000,000
Super short-term bonds (note3)	2,000,000,000	—
Total	3,360,000,000	3,220,000,000

Note1: Entrusted loans are provided by Jiangsu Far East Shipping Co., Ltd. through China CITIC Bank on 13 August 2014, the principal is RMB190,000,000, annual interest rate is 6.00%, duration period is 1 year.

Note2: Short-term bonds (Code: 041454081) are issued on 12 December 2014 at par value of RMB1,000,000,000. Bond duration is 270 days. Annual interest rate is 5.05%.

Note3: Super short-term bonds include bonds issued on 12 June 2014, 22 August 2014, 10 October 2014 and 12 November 2014 with the par value RMB500,000,000 (Code: 011484002), RMB400,000,000 (Code: 011484003), RMB400,000,000 (Code: 011484004) and RMB700,000,000 (Code: 011484005) respectively. The annual interest rate is 4.89%, 4.8%, 4.8% and 4%. Bond duration is 270 days, 150 days, 270 days and 266 days.

- (2) There are no short-term borrowings overdue but not yet repaid.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 19. Accounts payable

(1) Details of accounts payable are as follows:

Unit: RMB

Item	Closing balance	Opening balance
Construction payable	192,626,824	34,500,404
Construction payable for real estate project	419,373,209	291,549,972
Purchase payable for oil of service zones	16,303,907	23,444,457
Toll road fee payable	50,512,118	19,486,421
Warranty fee payable	5,421,500	—
Others	37,840,039	2,682,235
Total	<u>722,077,597</u>	<u>371,663,489</u>

(2) Aging analysis of accounts payable is as follows

Unit: RMB

Item	Closing balance	Opening balance
Within 1 year	666,716,476	253,944,705
1-2 years	32,552,607	56,854,497
2-3 years	378,600	26,363,883
Over 3 years	22,429,914	34,500,404
Total	<u>722,077,597</u>	<u>371,663,489</u>

(3) Significant accounts payable aging more than one year in the closing balance

Unit: RMB

Item	Closing balance	Reasons for outstanding
Construction payable	27,065,306	Long settlement procedure of the project
Construction payable for real estate project	<u>28,162,503</u>	Long settlement procedure of the project

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 20. Receipts in advance

(1) Receipts in advance are shown as follows:

Unit: RMB

Item	Closing balance	Opening balance
Rental deposit received in advance	8,192,294	4,274,926
Advertising service fee received in advance	11,235,740	11,598,617
Properties for sales received in advance	355,809,531	396,937,132
Others	93,898	95,951
Total	<u>375,331,463</u>	<u>412,906,626</u>

The aging analysis of receipts in advance is as follows:

Unit: RMB

Aging	Closing balance		Opening balance	
	RMB	%	RMB	%
Within 1 year	130,997,159	35	412,826,626	100
1-2 year	244,254,304	65	—	—
2-3 years	—	—	—	—
Over 3 years	80,000	—	80,000	—
Total	<u>375,331,463</u>	<u>100</u>	<u>412,906,626</u>	<u>100</u>

Details of receipts in properties for sales received in advance are as follows:

Unit: RMB

Project name	Opening balance	Closing balance	Completion date	Proportion of advance sale (%)
Huaqiao Urban Core C4 Tongcheng Hongqiao Mansion	3,796,431	694,454	August 2012	97
Huaqiao Urban Core B4 Guangmingjiezuo Project	244,061,647	333,305,818	June 2015	82
Baohua Hongyan Community B Tongchengshijia Project	149,079,054	21,809,259	June 2016	70
Total	<u>396,937,132</u>	<u>355,809,531</u>		



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 21. Employee benefits payable

(1) Employee benefits payable are shown as follows:

Unit: RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
1. Short term compensation	902,085	514,051,821	513,760,006	1,193,900
2. Post-employment benefits - Defined contribution plan	—	79,582,046	79,582,046	—
3. Termination benefits	—	1,336,568	1,336,568	—
4. Other welfare due within one year	—	—	—	—
Total	<u>902,085</u>	<u>594,970,435</u>	<u>594,678,620</u>	<u>1,193,900</u>

(2) Short term compensation:

Unit: RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
I. Wages or salaries, bonuses, allowances and subsidies	—	334,242,300	334,242,300	—
II. Staff welfare	—	30,462,657	30,462,657	—
III. Social security contributions	—	42,232,362	42,232,362	—
Including: Medical insurance	—	37,725,890	37,725,890	—
Work injury insurance	—	2,377,780	2,377,780	—
Maternity insurance	—	2,128,692	2,128,692	—
IV. Housing funds	—	29,586,171	29,586,171	—
V. Union running costs and employee education costs	902,085	10,086,097	9,794,282	1,193,900
VI. Non-monetary welfare	—	38,829,516	38,829,516	—
VII. Others	—	28,612,718	28,612,718	—
Total	<u>902,085</u>	<u>514,051,821</u>	<u>513,760,006</u>	<u>1,193,900</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 21. Employee benefits payable (continued)

##### (3) Defined contribution plan

Unit: RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
1. Basic endowment insurance	—	50,389,078	50,389,078	—
2. Unemployment insurance	—	3,763,920	3,763,920	—
3. Enterprise annuity payment	—	25,429,048	25,429,048	—
Total	—	79,582,046	79,582,046	—

Note:

##### (1) Defined contribution plan

The Group participates in basic pension insurance, unemployment insurance plan established by government in accordance with the relevant requirements. According to the plan, the Group makes a monthly contribution equivalent to 20% and 1.5% - 2% of the employee's monthly basic wage based on last year's salary. The Group participates in annuity scheme which operated by an independent third party and makes a monthly contribution equivalent to 8.33% of the employee's monthly basic wage based on last year's salary. The Group no longer undertake further payment obligation. The corresponding cost charges to the profit or loss for the current period or the cost of a relevant asset when occurs.

During the year, the Group contributes RMB50,389,078, RMB25,429,048 and RMB3,763,920 to basic pension insurance, annuity scheme, unemployment insurance plan respectively (2013: RMB45,749,972, RMB23,170,445 and RMB3,738,924). All the contribution had paid over to the schemes as at 31 December 2014.

##### (2) Non-monetary welfare

Non-monetary benefits are RMB38,829,516 (2013: RMB23,462,646), which represent purchased non-monetary holiday gifts that distributed to employee etc., calculated on a certified basis of purchase costs.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 22. Taxes payable

Unit: RMB

Item	Closing balance	Opening balance
Enterprise income tax	70,234,931	131,755,688
Business tax	15,538,475	15,941,345
Land appreciation tax	231,089	—
VAT	2,687,824	1,789,643
Property tax	402,469	497,866
Individual income tax	2,076,557	1,730,203
Others	4,346,600	4,252,182
Total	95,517,945	155,966,927

#### 23. Interest payable

Unit: RMB

Item	Closing balance	Opening balance
Interest payable of long-term borrowings with interest payable by installments and principal payable on maturity	488,889	454,444
Interest payable of enterprise bond	44,809,101	48,856,322
Interest payable of short-term borrowings	32,056,777	21,972,999
Total	77,354,767	71,283,765

There are no interest payable overdue but not yet repaid.

#### 24. Dividends payable

Unit: RMB

Item	Closing balance	Opening balance
Common stock dividends	68,678,625	62,903,610
Total	68,678,625	62,903,610

Note: The amount of dividends payable aged more than 1 year is RMB62,903,610, which was the uncollected dividends by investors.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 25. Other payables

(1) Details of other payables are as follows:

Unit: RMB

Item	Closing balance	Opening balance
312 toll road operation right acquisition costs payable	10,000,000	10,000,000
Construction quality warrantee fee payable	957,226	117,688,410
Daily purchase payable for service zones	9,119,457	18,034,615
ETC rechargeable card for Network Operation Company	11,413,235	5,224,694
Construction fee of noise barrier construction project	631,565	5,321,580
The sincerity deposit for purchase properties	2,322,195	520,000
Others	7,203,698	18,166,571
Total	<u>41,647,376</u>	<u>174,955,870</u>

(2) Significant other payables aged more than one year

Unit: RMB

Item	Closing balance	Reasons for outstanding
312 toll road operation right acquisition costs payable	<u>10,000,000</u>	<u>Not settled yet</u>

#### 26. Non-current liabilities due within one year

Unit: RMB

Item	Closing balance	Opening balance
Long-term borrowings due within one year	1,516,049	1,510,574
Bonds payable due within one year	499,310,408	—
Total	<u>500,826,457</u>	<u>1,510,574</u>

#### 27. Other current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Short term bonds payable	<u>500,000,000</u>	<u>1,000,000,000</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 27. Other current liabilities (continued)

Changes of short-term bonds payable

Unit: RMB

Name of bond	Par value	Issue date	Duration of the bond	Issue amount	Opening balance	Issue in the current year	Interest accrued according to par value	Premium and discount amortization	Repayment in the current year	Transferred to interest payable in the current year	Closing balance
Private placement debt financing instruments	600,000,000	29 July 2013	one year	600,000,000	600,000,000	—	18,550,000	—	618,550,000	—	—
Private placement debt financing instruments	400,000,000	27 August 2013	one year	400,000,000	400,000,000	—	14,605,556	—	414,605,556	—	—
Private placement debt financing instruments	500,000,000	23 May 2014	one year	500,000,000	—	500,000,000	17,266,667	—	—	17,266,667	500,000,000
Total				1,500,000,000	1,000,000,000	500,000,000	50,422,223	—	1,033,155,556	17,266,667	500,000,000

Other explanation:

The Group records the interest of short-term bonds into interest payable at the end of the year

#### 28. Long-term borrowings

(1) Categories of long-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Secured loans (note 1)	250,000,000	250,000,000
Guaranteed loans (note 2)	21,224,695	22,658,613
Subtotal	271,224,695	272,658,613
Less: Non-current liabilities due within one year	1,516,049	1,510,574
Total long-term borrowings mature after one year	269,708,646	271,148,039

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 28. Long-term borrowings (continued)

(1) Categories of long-term borrowings (continued)

Description of categories of long-term borrowings:

*Note 1:* A subsidiary of the Company, Jiangsu Guangjing Xicheng Co., Ltd. ("Guangjing Xicheng") obtained bank loans amounting to RMB400,000,000 from Bank of Communications Jiangsu branch in 2012 for the equity investment in Yanjiang. The bank loans were secured by toll road operation rights of Guangjing Xicheng. At the end of current year, Guangjing Xicheng has repaid in advance with RMB150,000,000. The interest rate is floating with the benchmark interest rate announced by the Peoples Bank of China. During current year, the annual interest rate is 6.4%.

*Note 2:* The Company obtained bank credit limit of USD 9,800,000 from Jiangsu branch of Bank of China in 1998. The credit limit was used to import machinery and technology and guaranteed by Jiangsu Communications Holding Company Limited. The credit limits include buyer's credit loan of USD 4,900,000 and Spanish government loan of USD 4,900,000. The buyer's credit loan has paid up in 2006. The Spanish government loan is paid up every half year from January 2009 to 2029 with annum interest rate of 2%.

Analysis of maturity for long-term borrowings over one year is as follows:

Item	Current year	Prior year
1-2 years	1,516,049	1,510,574
2-5 years	254,548,147	254,531,722
Over 5 years	13,644,450	15,105,743
Total	269,708,646	271,148,039

### 29. Bond payable

(1) Bond payable

Unit: RMB

Item	Closing balance	Opening balance
Medium Term Notes	494,603,286	493,216,686
Private Placement Bond	499,310,408	497,857,711
Subtotal	993,913,694	991,074,397
Less: bonds payable due within one year	499,310,408	—
Total	494,603,286	991,074,397

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 29. Bond payable (continued)

(2) Changes of bond payable

Unit: RMB

Name of bond	Par value	Issue date	Term of the bond	Issue amount	Opening balance	Issue in the current year	Interest accrued according to par value	Premium and discount amortization	Repayment in the current year	Closing balance
Private Placement Bond	500,000,000	18 June 2012	3 years	495,765,250	497,857,711	—	26,500,000	1,452,697	26,500,000	499,310,408
Medium Term Notes	500,000,000	19 June 2013	5 years	492,500,000	493,216,686	—	24,900,000	1,386,600	24,900,000	494,603,286
Total				988,265,250	991,074,397	—	51,400,000	2,839,297	51,400,000	993,913,694

#### 30. Share capital

Unit: RMB

	Opening balance	New issue of shares	Bonus issue	Change for the year Capitalization of surplus reserves	Others	Subtotal	Closing balance
<b>Year 2014:</b>							
Total shares	5,037,747,500	—	—	—	—	—	5,037,747,500
<b>Year 2013:</b>							
Total shares	5,037,747,500	—	—	—	—	—	5,037,747,500

In accordance with the Company's state share reform proposal adopted by the Company's shareholders' meeting on 24 April 2006 (the "Share Reform Proposal"), the shareholders of the non-tradable shares, which comprised the state shares, state legal person shares and legal person shares, offered a transfer of 3.2 non-tradable shares to the then shareholders of A-shares for every 10 "A" shares held by the then shares holders of A-shares in exchange for the approval by the shareholders of A-shares to convert all remaining non-tradable shares into restricted tradable shares. As a result, in the year 2006, 48,000,000 non-tradable shares were transferred to the shareholders of A-shares as consideration for the approval by the non-tradable shareholders, and these 48,000,000 non-tradable shares were granted trading status as a shares on 16 May 2006. After the transfer of the consideration 48,000,000 non-tradable shares, part of them have been transferred to the category of tradable A share upon the granting of trading status on 16 May 2007, 14 June 2007, 27 July 2007, 28 February 2008, 10 October 2008, 8 June 2009, 10 March 2010, 17 December 2010, 20 May 2011, 29 July 2011, 17 August 2012 and 6 November 2013 separately.

The Group did not purchase, sale or redeem shares of the Company for the current year.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 31. Capital reserve

Unit: RMB

Item	Opening balance	Increase in the year	Decrease in the year	Closing balance
<b>Year 2014:</b>				
Capital premium	4,800,576,953	—	—	4,800,576,953
Other capital reserve (note)	2,682,977,235	—	1,586,347	2,681,390,888
Including: Share of capital reserve of the investee under the equity method	—	—	1,586,347	(1,586,347)
Transfer from capital reserve under the previous accounting system	2,682,977,235	—	—	2,682,977,235
<b>Total</b>	<b>7,483,554,188</b>	<b>—</b>	<b>1,586,347</b>	<b>7,481,967,841</b>
<b>Year 2013:</b>				
Capital premium	4,801,561,763	—	984,810	4,800,576,953
Other capital reserve (note)	2,682,977,235	—	—	2,682,977,235
Including: Share of capital reserve of the investee under the equity method	—	—	—	—
Transfer from capital reserve under the previous accounting system	2,682,977,235	—	—	2,682,977,235
<b>Total</b>	<b>7,484,538,998</b>	<b>—</b>	<b>984,810</b>	<b>7,483,554,188</b>

Note: The decrease of other capital reserve this year is mainly because of the adjustment to capital premium caused by Yangtze Bridge, the associate of the Group, when consolidating Jiangsu Xizhang Co., Ltd under the common control. The Group adjusted capital reserve at the share proportion.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 32. Other comprehensive income

Unit: RMB

Item	Opening balance	Before-tax amount for the current year	Change for the year		Less: Income tax expense	Post-tax net amount attribute to parent company owners	Post-tax net amount attribute to minority shareholders	Closing balance
			Less: Net amount included in other comprehensive income in the prior periods that is reclassified to profit or loss for the year					
<b>Year 2014</b>								
I. Other comprehensive income that will not be reclassified subsequently to profit or loss	—	—	—	—	—	—	—	—
II. Other comprehensive income that will be reclassified subsequently to profit or loss	95,858,321	93,030,727	—	—	—	93,030,727	—	188,889,048
Including:								
Share of other comprehensive income of the investee under the equity method that will be reclassified subsequently to profit or loss	95,858,321	93,030,727	—	—	—	93,030,727	—	188,889,048
<b>Total other comprehensive income</b>	<b>95,858,321</b>	<b>93,030,727</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>93,030,727</b>	<b>—</b>	<b>188,889,048</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 32. Other comprehensive income (continued)

Item	Opening balance	Before-tax amount for the current year	Change for the year				Closing balance
			Less: Net amount included in other comprehensive income in the prior periods that is reclassified to profit or loss for the year	Less: Income tax expense	Post-tax net amount attribute to parent company owners	Post-tax net amount attribute to minority shareholders	
<b>Year 2013</b>							
I. Other comprehensive income that will not be reclassified subsequently to profit or loss	—	—	—	—	—	—	—
II. Other comprehensive income that will be reclassified subsequently to profit or loss	81,405,369	14,452,952	—	—	14,452,952	—	95,858,321
Including:							
Share of other comprehensive income of the investee under the equity method that will be reclassified subsequently to profit or loss	81,405,369	14,452,952	—	—	14,452,952	—	95,858,321
Total other comprehensive income	81,405,369	14,452,952	—	—	14,452,952	—	95,858,321

Note: During the year, other comprehensive income increased from the fair value adjustment of the available for sale financial assets of Yangtze Bridge, the associate of the Group. The Group adjusted other comprehensive income at the share proportion.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 33. Surplus reserves

Unit: RMB

Item	Opening balance	Increase in the year	Decrease in the year	Closing balance
<b>Year 2014:</b>				
Statutory surplus reserve	2,833,298,081	76,299,688	—	2,909,597,769
Discretionary surplus reserve	—	17,445,924	—	17,445,924
Total	<u>2,833,298,081</u>	<u>93,745,612</u>	<u>—</u>	<u>2,927,043,693</u>
<b>Year 2013:</b>				
Statutory surplus reserve	<u>2,550,126,797</u>	<u>283,171,284</u>	<u>—</u>	<u>2,833,298,081</u>

Note: According to "Company law of the People's Republic of China" and the Articles of Association, the Company and its subsidiaries are required to transfer 10% of its net profit to the statutory surplus reserve. The transfer may be ceased if the balance of the statutory surplus reserve has reached 50% of the Company's registered capital. Statutory surplus reserve can be used for making up losses, or to increase the capital after approval. The Group transfer RMB76,299,688 to the statutory surplus reserve in 2014 (2013: RMB283,171,284). Guangjing Xicheng, the subsidiary of the Company appropriated the discretionary surplus reserve at the amount of RMB17,445,924 (2013: 0) when the balance of the statutory surplus reserve has reached 50% of the registered capital.

### 34. Retained profits

Unit: RMB

Item	Current year	Prior year
Opening retained profits	4,146,025,799	3,535,043,036
Add: Net profit attributable to owners of the Company for the year	2,574,754,312	2,707,743,147
Less: Appropriation to statutory surplus reserve	76,299,688	283,171,284
Appropriation to discretionary surplus reserve	17,445,924	—
Declaration of dividends on ordinary shares	1,914,344,050	1,813,589,100
Closing retained profits	<u>4,712,690,449</u>	<u>4,146,025,799</u>

Note 1: Appropriation to statutory surplus reserve

According to the Articles of Association, the Company is required to transfer 10% of its net profit to the statutory surplus reserve. The transfer may be ceased if the balance of the statutory surplus reserve has reached 50% of the company's registered capital.

Note 2: Appropriation to discretionary surplus reserve

The discretionary surplus reserve was appropriated by Guangjing Xicheng, the subsidiary of the Company when the balance of the statutory surplus reserve has reached 50% of the company's registered capital.

Note 3: Cash dividends approved in shareholders' meeting during the year

In 2014, on the basis of 5,037,747,500 issued shares (with the par value of RMB1 per share), dividends in cash of RMB0.38 per share were distributed to all the shareholders.

Note 4: Profit distribution decided after the balance sheet date

According to a proposal of the board of directors on 27 March 2015, on the basis of 5,037,747,500 issued shares (with the par value of RMB1 per share) in 2015, cash dividends of RMB0.38 per share will be distributed to all the shareholders. The above proposal regarding dividends distribution is yet to be approved in a shareholders' meeting.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 35. Operating income and operating costs

(1) Operating income

Unit: RMB

Item	Amount recognized in the current year		Amount recognized in the prior year	
	Operating income	Operating costs	Operating income	Operating costs
Principal operating income	7,579,636,948	3,806,603,711	7,495,067,780	3,648,835,094
Including: Shanghai-Nanjing Expressway	4,490,913,228	1,107,253,412	4,521,752,601	1,085,364,846
312 National Highway	53,001,537	276,893,764	53,434,572	200,674,284
Guangjing Xicheng Expressway	798,365,574	233,208,883	733,053,058	244,875,293
Nanjing-Lianyungang Highway	29,941,035	15,548,066	36,689,037	18,031,586
Ancillary services	2,207,415,574	2,173,699,586	2,150,138,512	2,099,889,085
Real estate development	253,556,650	197,100,033	75,200,074	29,507,771
Advertising and others	45,882,687	16,607,991	43,958,863	15,800,916
Total	<u>7,879,076,285</u>	<u>4,020,311,735</u>	<u>7,614,226,717</u>	<u>3,694,143,781</u>

#### 36. Business taxes and levies

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Business tax	191,130,162	174,851,318
City construction and maintenance tax	14,391,831	13,358,306
Education surcharge	11,645,285	10,708,471
Land appreciation tax	23,658,294	3,253,067
Total	<u>240,825,572</u>	<u>202,171,162</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 37. Selling expenses

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Depreciation	60,489	106,992
Commission fee for agent of real estate sales	5,797,475	2,344,974
Advertisement and promotion fee	6,551,152	5,353,801
Consulting fee	778,685	1,658,691
Others	618,580	367,897
Total	13,806,381	9,832,355

#### 38. Administrative expenses

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Salaries	56,252,260	54,315,591
Depreciation and amortization	70,017,545	70,356,776
Audit fee	3,488,850	2,780,000
Consulting and intermediary service fee	11,425,822	9,909,212
Properties tax and other taxes	19,380,275	18,540,115
Entertainment fee	2,436,865	3,287,180
Maintenance and repair costs	5,364,599	2,491,984
Office expenses	635,097	758,281
Travelling expenses	618,989	1,720,842
Vehicle related expenses	1,779,571	2,361,444
Others	8,457,475	9,618,821
Total	179,857,348	176,140,246

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 39. Financial expenses

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Interest of bond	232,321,655	158,314,176
Interest of bank loans	68,265,016	130,373,680
Include: Interest on bank loans within 5 years	68,040,611	129,932,453
Total interest expenses	300,586,671	288,687,856
Less: Interest income	4,993,442	7,051,553
Exchange differences	4,030,747	(2,780,748)
Bond issue fee and other loan charges	12,110,861	13,297,236
Others	683,031	633,313
Total	<u>312,417,868</u>	<u>292,786,104</u>

### 40. Impairment losses on assets

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Bad debt provision reversal	<u>(50,633)</u>	<u>(500,000)</u>

### 41. Gains from changes in fair values

Unit: RMB

Sources of gains from changes in fair values	Amount incurred in the current year	Amount incurred in the prior year
FVTPL	<u>3,066,189</u>	<u>2,109,937</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 42. Investment income

(1) Details of investment income

Unit: RMB

Item	Amount incurred in current year	Amount incurred in prior year
Income from long-term equity investments under equity method	310,937,218	265,462,187
Losses on disposal of FVTPL	(183,628)	—
Investment income from available-for-sale financial assets in the holding period	33,550,000	44,928,000
Investment income from disposal of available-for-sale financial assets	7,983,714	5,009,274
Total	352,287,304	315,399,461

#### 43. Non-operating income

(1) Details of non-operating income are as follows:

Unit: RMB

Item	Amount incurred in current year	Amount incurred in prior year
Total gains on disposal of non-current assets	5,054,693	90,210,095
Including: Gains on disposal of fixed assets	5,054,693	1,446,186
Gains on disposal of intangible asset	—	88,763,909
Compensation income from damaged road	6,966,933	8,150,162
Government grants	7,370,000	600,000
Others	1,387,968	3,580,744
Total	20,779,594	102,541,001

(2) Details of government grants

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year	Explanation
Environmental subsidies	7,370,000	—	Related to income
Research funding subsidies	—	600,000	Related to income
Total	7,370,000	600,000	

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 44. Non-operating expenses

Unit: RMB

Item	Amount incurred in current year	Amount incurred in prior year
Total losses on disposal of non-current assets	6,759,257	9,048,053
Including: Losses on disposal of fixed assets	6,759,257	9,048,053
Repair expenditure of damaged road	17,031,935	17,579,287
Donation	1,376,120	912,000
funds	3,542,002	3,371,221
Others	4,311,751	1,295,793
Total	<u>33,021,065</u>	<u>32,206,354</u>

#### 45. Income tax expenses

- (1) Income tax expenses

Unit: RMB

Item	Amount incurred in current year	Amount incurred in prior year
Current tax expenses	833,617,723	847,645,369
Deferred tax expenses	(33,593,078)	(2,739,378)
Provision of prior years' tax	7,706,257	6,964,243
Total	<u>807,730,902</u>	<u>851,870,234</u>

No provision for Hong Kong Profits tax has been made as the income neither arises, nor is derived from Hong Kong.

- (2) Reconciliation of income tax expenses to the accounting profit is as follows:

Unit: RMB

	Amount incurred in current year	Amount incurred in prior year
Accounting profit	3,455,020,036	3,627,497,114
Income tax expenses calculated at 25% (prior year: 25%)	863,755,009	906,874,278
Effect of cost, expenses and loss that are not deductible for tax purposes	22,391,441	12,265,538
Effect of tax-free income	(86,121,805)	(74,233,825)
Adjustment to provision of prior years' tax	7,706,257	6,964,243
Total	<u>807,730,902</u>	<u>851,870,234</u>



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 46. Other comprehensive income

See Note(VI) 32 for details.

#### 47. Supplementary information of income statement

Unit: RMB

Item	Amount incurred in current year	Amount incurred in prior year
Employee benefits	585,113,380	524,802,545
Depreciation and amortization	994,015,290	963,258,792
Toll related expenses	121,372,641	129,792,144
Road maintenance expenses	174,503,339	157,578,847
System maintenance expenses	35,918,969	30,248,027
Real estate development land and construction cost	197,100,033	29,507,771
Petroleum in the service zone	1,910,836,085	1,866,535,861
Retail goods in the service zone	85,289,051	73,972,368
Audit fee	3,488,850	2,780,000
Consulting and intermediary service fee	12,204,507	11,567,903
Properties tax and other taxes	19,380,275	18,540,115
Commission fee for agent of real estate sales	5,797,475	2,344,974
Advertisement fee	6,551,152	5,353,801
Others	62,404,417	63,833,234
Total	4,213,975,464	3,880,116,382

#### 48. Items in the cash flow statement

(1) Other cash receipts relating to operating activities

Unit: RMB

Item	Amount incurred in current year	Amount incurred in prior year
Receipts from compensation of damaged road and non-operating income items, etc.	15,724,901	26,388,365
Receipts from interest income of bank deposit	4,993,442	7,051,553
Total	20,718,343	33,439,918

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 48. Items in the cash flow statement (continued)

- (2) Other cash payments relating to operating activities

Unit: RMB

Item	Amount incurred in current year	Amount incurred in prior year
Payment of non-salary and other expenditure	83,555,025	60,132,242
Changes of restricted monetary funds	17,793,525	—
Total	101,348,550	60,132,242

- (3) Other cash receipts relating to investing activities: N/A

- (4) Other cash payments relating to investing activities: N/A

- (5) Other cash receipts relating to financing activities: N/A

- (6) Other cash payments relating to financing activities:

Unit: RMB

Item	Amount incurred in current year	Amount incurred in prior year
Bond issue fee and other charges of loans	12,110,861	23,297,236

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 49. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Unit: RMB

Supplementary information	Current year	Prior year
<b>1. Reconciliation of net profit to cash flow from operating activities:</b>		
Net profit	2,647,289,134	2,775,626,880
Add: Reversals of provision for impairment losses of assets	(50,633)	(500,000)
Depreciation of fixed assets	186,957,507	169,269,605
Amortization of intangible assets	807,615,546	794,551,027
Amortization of long-term prepaid expenses	3,660,228	437,826
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains are indicated by “—”)	1,704,564	(81,162,042)
Losses on changes in fair values (gains are indicated by “—”)	(3,066,189)	(2,109,937)
Financial expenses (income is indicated by “—”)	312,697,532	299,204,344
Losses arising from investments (gains are indicated by “—”)	(352,287,304)	(315,399,461)
Decrease in deferred tax assets (increase is indicated by “—”)	(33,498,877)	(4,108,627)
Increase in deferred tax liabilities (decrease is indicated by “—”)	(94,201)	1,369,249
Decrease in inventories (increase is indicated by “—”)	(246,568,217)	(899,378,266)
Decrease in receivables from operating activities (increase is indicated by “—”)	(293,654,689)	17,599,448
Increase in payables from operating activities (decrease is indicated by “—”)	77,978,048	327,868,447
Others-depreciation of investment properties	1,123,696	893,667
Others-decrease in restricted monetary funds (increase is indicated by “—”)	(17,793,525)	
Net cash flow from operating activities	3,092,012,620	3,084,162,160
<b>2. Significant investing and financing activities that do not involve cash receipts and payments:</b>	—	—
<b>3. Net changes in cash and cash equivalents:</b>		
Closing balance of cash	580,456,928	409,176,746
Less: Opening balance of cash	409,176,746	686,484,787
Net increase (decrease) in cash and cash equivalents	171,280,182	(277,308,041)

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 49. Supplementary information to the cash flow statement (continued)

(2) Composition of cash and cash equivalents

Unit: RMB

Item	Current year	Prior year
<b>I. Cash</b>	580,456,928	409,176,746
Including: Cash on hand	268,446	353,222
Bank deposits	565,552,249	375,762,663
Other monetary funds	14,636,233	33,060,861
<b>II. Cash equivalents</b>	—	—
Including: Investment in debt securities due within three months	—	—
<b>III. Closing balance of cash and cash equivalents</b>	<u>580,456,928</u>	<u>409,176,746</u>

### 50. Assets or use rights with restricted ownership

Unit: RMB

Item	Closing carrying amount	Reasons for restriction
Bank deposits	13,250,793	Construction quality warrantee fee payable
Bank deposits	4,542,732	Customer mortgage deposit
Intangible assets	<u>1,398,475,407</u>	The pledge of expressway toll road right
Total	<u>1,416,268,932</u>	

### 51. Foreign currency monetary items

Unit: RMB

Item	Closing balance in foreign currency	Exchange rate	Closing balance translate in RMB
<b>Cash and bank balances</b>			
Including: USD	1,372	6.1190	8,393
HKD	1,357,059	0.7889	1,070,584
<b>Long-term borrowings</b>			
Including: USD	<u>3,468,654</u>	<u>6.1190</u>	<u>21,224,695</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## VII. CHANGES OF CONSOLIDATED FINANCIAL STATEMENT SCOPE

### 1. Other reasons for changes of consolidated financial statement scope

- (1) Acquisition of subsidiaries by set-up

See Note(VIII)1. (1).

## VIII. EQUITY IN OTHER ENTITIES

### 1. Equity in subsidiaries

- (1) Group composition

Unit:RMB

Name of subsidiary (note3)	Type of subsidiaries	Registered capital	Business premise	Registered place	Business nature	Proportion of holding equity (%)		Acquired method
						Direct	Indirect	
Guangjing Xicheng	Limited liability company	850,000,000	Wuxi	Nanjing	Construction and operation of expressway	85	—	Set-up
Wuxi Jingcheng Advertising Co., Ltd.	Limited liability company	1,000,000	Wuxi	Wuxi	Service	—	85	Set-up
Jiangsu Ninghu Investment Development Co., Ltd ("Ninghu Investment")	Limited liability company	100,000,000	Nanjing	Nanjing	Investment and Service	100	—	Set-up
Jiangsu Ninghu Properties Co., Ltd. ("Ninghu Properties")	Limited liability company	500,000,000	Nanjing and Zhenjiang	Nanjing	Real estate development	100	—	Set-up
Kunshan Fen Yuan Real Estate Development Co., Ltd. ("Kunshan Fengyuan")	Limited liability company	42,000,000	Kunshan	Kunshan	Real estate development	—	100	Set-up
Ninghu Properties (Kunshan) Co., Ltd. ("Kunshan Properties")	Limited liability company	200,000,000	Kunshan	Kunshan	Real estate development	—	100	Set-up
Ninghu Properties (Suzhou) Co., Ltd. ("Suzhou Properties") (note1)	Limited liability company	100,000,000	Suzhou	Suzhou	Real estate development	—	100	Set-up
Jiangsu Zhendan Expressway Co., Ltd. ("Zhendian Expressway") (note2)	Limited liability company	605,590,000	Zhenjiang	Nanjing	Construction and operation of expressway	70	—	Set-up

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## VIII. EQUITY IN OTHER ENTITIES (continued)

### 1. Equity in subsidiaries (continued)

#### (1) Group composition (continued)

*Note 1:* In 6 May 2014, Jiangsu Ninghu Properties Co., Ltd., the whole-owned subsidiary of the Company, set up wholly-owned subsidiary Ninghu Properties (Suzhou) Co., Ltd. with registered capital of RMB100,000,000.

*Note 2:* In 12 December 2014, the Company set up Zhendan Expressway with Yangzhong City Oasis Town Industrial Development Co., Ltd., Zhenjiang New District Economic Development Co., Ltd. and Danyang Investment Group Co., Ltd. in Nanjing, Jiangsu province, the registered capital is RMB605,590,000 in which the Company contributed RMB423,910,000, accounting for 70% of the registered capital; Yangzhong City Oasis Town Industrial Development Co., Ltd. contributed RMB60,560,000, accounting for 10% of the registered capital; Zhenjiang New District Economic Development Co., Ltd. contributed RMB60,560,000, accounting for 10% of the registered capital; Danyang Investment Group Co., Ltd. contributed RMB60,560,000, accounting for 10% of the registered capital. As of 31 December 2014, Zhendan Expressway has received the capital of RMB200,000,000, of which the Company contributed RMB140,000,000, Yangzhong City Oasis Town Industrial Development Co., Ltd. contributed RMB20,000,000, Zhenjiang New District Economic Development Corporation Co., Ltd. contributed RMB20,000,000, Danyang Investment Group Co., Ltd. contributed RMB20,000,000.

*Note 3:* None of the subsidiaries had issued any debt securities at the end of the year.

#### (2) Significant non wholly owned subsidiaries

Unit: RMB

Name of subsidiaries	Minorities proportion of shareholding (%)	Profit or loss attributable to minority shareholders	Dividend announcement to minority shareholders	Closing balance of minority interests
Guangjing Xicheng	15	72,533,352	45,969,330	528,307,872
Zhendan Expressway	30	1,470	—	60,001,470

#### (3) Financial information of significant non wholly owned subsidiaries

Unit: RMB

Name of subsidiaries	Closing balance						Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Guangjing Xicheng	111,885,811	3,775,202,472	3,887,088,283	96,610,568	250,000,000	346,610,568	167,614,598	3,719,923,727	3,887,538,325	274,154,092	250,000,000	524,154,092
Zhendan Expressway	200,004,900	—	200,004,900	—	—	—	—	—	—	—	—	—

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## VIII. EQUITY IN OTHER ENTITIES (continued)

### 1. Equity in subsidiaries (continued)

(3) Financial information of significant non wholly owned subsidiaries (continued)

Unit: RMB

Name of subsidiaries	Amount in the current year				Amount in the prior year			
	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities	Operating income	Net income	Total comprehensive income	Cash flow from operating activities
Guangjing Xicheng	828,074,508	483,555,679	483,555,679	497,244,768	762,416,050	450,092,008	450,092,008	467,018,568
Zhendan Expressway	—	4,900	4,900	4,900	—	—	—	—

### 2. Equity in associates

(1) Significant associates

Name of joint ventures or associates	Business premise	Registered place	Business nature	Proportion of shareholding (%)		Accounting method
				Direct	Indirect	
Yangtze Bridge	Nanjing	Nanjing	Construction and operation of expressway	26.66	—	Equity method
Sujiahang	Suzhou	Suzhou	Construction and operation of expressway	33.33	—	Equity method
Sujiayong	Suzhou	Suzhou	Construction and operation of expressway	22.77	—	Equity method
Yanjiang (note)	Suzhou	Suzhou	Construction and operation of expressway	—	28.96	Equity method

Note: During year 2013, because of the introduction of new shareholders Zhangjiagang Municipal Public Assets Management Co., Ltd., the equity ratio in Yanjiang of the Group decreased from 32.26% to 29.81%. According to the Yanjiang amendment of Article, Zhangjiagang Municipal Public Assets Management Co., Ltd. only enjoyed 40% of the income (profits, losses, gains and losses on disposal of assets) of the Zhangjiagang Port Expressway, and does not enjoy any other income resulting in Yanjiang Expressway projects other than the Zhangjiagang Port Expressway. During 2014, because of the introduction of new shareholders Suzhou Taicang Port Shugang Expressway Co., Ltd., the equity ratio in Yanjiang of the Group decreased from 29.81% to 28.96%. According to the Yanjiang amendment of Article, Suzhou Taicang Port Shugang Expressway Co., Ltd. only enjoyed 30% of the income (profits, losses, gains and losses on disposal of assets) of the Taicang Port Expressway, and does not enjoy any other income resulting in Yanjiang Expressway projects other than the Taicang Port Expressway.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## VIII. EQUITY IN OTHER ENTITIES (continued)

### 2. Equity in associates (continued)

#### (2) Financial information of significant associates

Unit: RMB

	Closing balance/Amount incurred in the current year				Opening balance/Amount incurred in the prior year			
	Yangtze Bridge	Sujiahang	Sujiayong	Yanjiang	Yangtze Bridge	Sujiahang	Sujiayong	Yanjiang
Current asset	372,014,371	820,521,450	639,849,813	914,263,318	238,098,252	904,058,102	879,433,718	774,780,522
Non-current asset	8,958,594,451	2,819,413,505	1,511,891,100	8,258,875,954	8,766,391,087	3,123,274,531	187,905,081	7,694,929,174
<b>Total asset</b>	<b>9,330,608,822</b>	<b>3,639,934,955</b>	<b>2,151,740,913</b>	<b>9,173,139,272</b>	<b>9,004,489,339</b>	<b>4,027,332,633</b>	<b>1,067,338,799</b>	<b>8,469,709,696</b>
Current liability	2,856,682,168	499,737,200	260,867,896	725,553,561	1,027,499,699	463,536,546	59,529,509	703,643,327
Non-current liability	2,410,043,247	683,031,700	600,000,000	2,757,700,000	4,423,766,261	1,330,000,000	330,000,000	2,271,000,000
<b>Total liability</b>	<b>5,266,725,415</b>	<b>1,182,768,900</b>	<b>860,867,896</b>	<b>3,483,253,561</b>	<b>5,451,265,960</b>	<b>1,793,536,546</b>	<b>389,529,509</b>	<b>2,974,643,327</b>
Minority Interests	—	4,895,378	—	602,239,341	—	4,270,992	—	621,728,345
Shareholders equity attributable to shareholders of the parent company	4,063,883,407	2,452,270,677	1,290,873,017	5,087,646,370	3,553,223,379	2,229,525,095	677,809,290	4,873,338,024
Net assets share calculated according to proportion of shareholding	1,083,431,316	817,341,817	293,913,100	1,641,274,719	947,289,351	743,100,715	188,937,185	1,572,138,847
Adjustments								
Goodwill	53,174,434	28,607,014	—	13,173,081	53,174,434	28,607,014	—	13,173,081
Unrealized profit	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	1,585,311,928
Net book value of the equity investment in associates	1,136,605,750	845,948,831	293,913,100	1,654,447,800	1,000,463,785	771,707,729	188,937,185	1,585,311,928
Operating income	1,136,537,494	1,200,775,750	—	1,446,864,579	1,043,945,917	1,098,058,456	—	1,336,202,085
Net income attributable to the parent company	381,399,666	349,034,210	(172,849)	303,545,050	277,376,536	274,983,755	(55,706)	331,602,132
Other comprehensive income attributable to the parent company	348,952,462	—	—	—	54,212,121	—	—	—
<b>Total comprehensive income attributable to the parent company</b>	<b>730,352,128</b>	<b>349,034,210</b>	<b>(172,849)</b>	<b>303,545,050</b>	<b>331,588,657</b>	<b>274,983,755</b>	<b>(55,706)</b>	<b>331,602,132</b>
Dividends received from associates in the current year	56,983,566	42,092,000	—	28,786,034	56,983,566	42,092,000	—	9,038,440



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## VIII. EQUITY IN OTHER ENTITIES (continued)

### 2. Equity in associates (continued)

#### (2) Financial information of significant associates (continued)

Other explanations:

- 1) On 31 December 2013, Sujaiyong haven't received all of the capital in the same proportion, the Group calculated the net assets share according to the actual proportion of shareholding.
- 2) The shareholders equity and the net profit attributable to Yanjiang are the net amount which has deducted the 40% of the equity of Zhangjiagang Port Expressway owned by Zhangjiagang Municipal Public Assets Management Co., Ltd. and 30% of the equity of Taicang Port Expressway owned by Suzhou Taicang Port Shugang Expressway Co., Ltd.. The Group still owns 32.26% of shareholders equity and net income of the shareholders equity and the net profit attributable to Yanjiang.

#### (3) Financial information of non-significant associates

Unit: RMB

	Closing balance/ Amount incurred in the current year	Opening balance/ Amount incurred in the prior year
Total net book value of the investment	243,675,788	240,939,270
Total amount of the following items calculated according to the proportion of shareholding		
Net profit	(4,959,582)	(7,100,646)
Other comprehensive income	—	—
Total comprehensive income	<u>(4,959,582)</u>	<u>(7,100,646)</u>

#### (4) Explanations on significant restrictions to the ability of transferring funds to the Group from associates

There is no significant restrictions to the ability of transferring funds to the Group from associates.

#### (5) Contingent liabilities related to associates

There is no contingent liabilities related to associates.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's major financial instruments include bank deposits, equity investments, debt investments, borrowings, accounts receivable, other receivables, accounts payable, other payables etc. Details of these financial instruments are disclosed in note XI. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure the risks are monitored at a certain level.

The Group adopts sensitivity analysis technique to analyse how the profit and loss for the period and shareholders' equity would have been affected by reasonably possible changes in the relevant risk variables. As it is unlikely that risk variables will change in an isolated manner, and the interdependence among risk variables will have significant effect on the amount ultimately influenced by the changes in a single risk variable, the following are based on the assumption that the change in each risk variable is on a stand-alone basis.

### 1. Risk management objectives and policies

The Group's risk management objectives are to achieve a proper balance between risks and yield, minimize the adverse impacts of risks on the Group's operation performance, and maximize the benefits of the shareholders and other stakeholders. Based on these risk management objectives, the Group's basic risk management strategy is to identify and analyses the Group's exposure to various risks, establish an appropriate maximum tolerance to risk, and implement risk management, and monitors regularly and effectively these exposures to ensure the risks are monitored at a certain level.

#### 1.1 Market risk

##### 1.1.1. Currency risk

Currency risk is the risk that losses will occur because of changes in foreign exchange rates. The Group's exposure to the currency risk is primarily associated with borrowings and bank deposits denominated in USD and HKD while the Group's other principal activities are denominated and settled in RMB. As at 31 December 2014, the balance of the Group's assets and liabilities are both denominated in RMB except that the assets and liabilities set out below are denominated in USD and HKD. Currency risk arising from the assets and liabilities denominated in foreign currencies may have impact on the Group's performance.

At reporting date the balance of the Group's assets and liabilities in foreign currency are set out below:

Unit: RMB

	Closing balance	Opening balance
Cash and cash equivalents	1,078,977	1,051,686
Non-current liabilities due within one year	1,516,049	1,510,574
Long-term borrowings	19,708,646	21,148,039

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

### 1. Risk management objectives and policies (continued)

#### 1.1 Market risk (continued)

##### 1.1.1. Currency risk (continued)

Sensitivity analysis on currency risk

Given that where all other variables are held constant, the reasonably possible changes in the foreign exchange rate may have the following pre-tax effect on the profit or loss for the period and shareholders' equity:

Unit: RMB

Item	Change in exchange rate	2014		2013	
		Effect on profit	Effect on shareholders' equity	Effect on profit	Effect on shareholders' equity
USD	5% increase against RMB	(1,060,815)	(1,060,815)	(1,132,513)	(1,132,513)
USD	5% decrease against RMB	1,060,815	1,060,815	1,132,513	1,132,513
HKD	5% increase against RMB	53,529	53,529	52,167	52,167
HKD	5% decrease against RMB	(53,529)	(53,529)	(52,167)	(52,167)

##### 1.1.2. Interest rate risk — risk of changes in cash flows

The Group's cash flow interest rate risk of financial instruments relates primarily to variable-rate long-term bank borrowings (see Note (VI) 28 for details). It is the Group's policy to keep its borrowings at floating rate of interests so as to eliminate the fair value interest rate risk.

Analysis on interest rate risk

The sensitivity analysis on interest rate risk is based on the following assumptions that changes in the market interest rate may influence the interest income or expense of the variable rate financial instruments. For variable-rate long-term bank borrowings (refer to note VI 28 for details), the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk represents management's assessment of the reasonably possible change in interest rates.

On the basis of the above assumptions, where all other variables are held constant, if interest rates had been 50 basis points higher/lower, the Group's pre-tax profit or loss for the year 2014 and shareholders' equity would decrease/increase by RMB937, 500 (2013: decrease/increase by RMB1, 425,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate long-term bank borrowings.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

### 1. Risk management objectives and policies *(continued)*

#### 1.1 Market risk *(continued)*

##### 1.1.3. Other price risk

The Group's financial assets at fair value through profit or loss are measured at fair value at the end of the reporting period. Therefore, the Group is exposed to price risk. The Group established an internal investment division and a designated team are assigned to monitor closely the price movement of its investment. In this regard, the directors of the Group consider that the Group's price risk is mitigated.

Sensitivity analysis on other price risk

The Group is exposed to the price risk arising from financial assets which are measured at fair value.

As at 31 December 2014, if the price of the financial assets at fair value through profit or loss the Group holds had increased/decreased by 50%, profit or loss for the year 2014 and shareholders' equity would have been increased/decreased by approximately RMB14,606,934 (31 December 2013: RMB7,565,774).

#### 1.2. Credit risk

As at 31 December 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees issued by the Group is arising from:

- The carrying amount of the respective recognized financial assets as stated in the consolidated balance sheet. For financial instruments measured at fair value, the carrying amount reflects the exposure to risks but not the maximum exposure to risks. The maximum exposure to risks would vary according to the future changes in fair value
- The amount of financial guarantees contract related to real estate sales disclosed in Note XII "Contingencies".

In order to minimize the credit risk, the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because they are deposited with banks with high credit ratings.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

### 1. Risk management objectives and policies (continued)

#### 1.3. Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

Loans are main source of funding for the Group. As at 31 December 2014, the Group has available unutilized bank loan facilities of approximately RMB6,790,000,000 (31 December 2013: RMB6,600,000,000). Also, private placement note, short-term bonds, super short-term bonds etc. are important source of funding for the Group. As at 31 December 2014, the Group has authorized but not issued bonds of approximately RMB4,500,000,000 (31 December 2013: RMB0).

As at 31 December 2014, the Group had net current liabilities of RMB190,825,057 (31 December 2013: RMB718,163,546), the Group has taken the following measures to reduce liquidity risk.

- In 2014, the Group issued RMB3,200,000,000 short-term bonds and super short-term bonds, RMB500,000,000 private placement bonds at a relatively low interest rate.
- The undrawn borrowing facilities from the signed credit contract with a time limit over one year is RMB1,300,000,000.
- The management is confident about the repayment of the borrowings as scheduled and the acquiring of new cycle borrowings.

To sum up, the management considers that the liquidity risk of the Group is greatly reduced, which has no significant impact on the Group's operation and the financial statements. The financial statements have been prepared on a going concern basis.

The following is the maturity analysis for financial liabilities held by the Group which is based on undiscounted remaining contractual obligations:

Unit: RMB

	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Accounts payable	—	—	722,077,597	—	—
Other payables	—	—	41,647,376	—	—
Interest payable	6,826,667	1,140,944	69,387,156	—	—
Short-term borrowings	401,013,333	534,305,251	2,503,923,413	—	—
Other current liabilities	—	—	510,969,863	—	—
Long-term borrowings (including long-term borrowings due within 1 year)	775,470	—	16,984,809	281,652,585	17,031,095
Bond payable (including bonds payable due within 1 year)	—	—	525,443,687	579,431,328	—
Total	<u>408,615,470</u>	<u>535,446,195</u>	<u>4,390,433,901</u>	<u>861,083,913</u>	<u>17,031,095</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## X. DISCLOSURE ON FAIR VALUE

### 1. Closing fair value of assets and liabilities measured at fair value

Unit: RMB

Item	Fair value at the end of the year			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
Fair value measured on a recurring basis				
FVTPL	38,951,822	—	—	38,951,822
Other current assets — Financial management product	—	—	206,750,000	206,750,000

### 2. Level 1 fair value measurement on a recurring basis

The Group measured the fair value of FVTPL according to the information of closing market price was quoted by relevant open sourced information of the fund and gold market.

### 3. Valuation techniques and quantitative information of level 3 fair value measurements on a recurring basis

Unit: RMB

Item	Fair value at 31 December 2014	Valuation techniques	Significant unobservable inputs	Range
Other current assets — Financial management product	206,750,000	Discounted cash flow	Anticipate return rate	3.3%-4.8%

Unit: RMB

Item	Fair value at 31 December 2013	Valuation techniques	Significant unobservable inputs	Range
Other current assets — Financial management product	147,000,000	Discounted cash flow	Anticipate return rate	3.7%-6.0%

The Group except the future cash flow of the other current assets-Financial management products according to the anticipate return rate, and discount the cash flow to calculate the fair value.

- There were no transfers between Level 1, 2 and 3 in the current and prior years.
- The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values.
- The consolidated financial statements consist of equity instruments investment which is not quoted in active markets. With no public market value, a reasonable assessment of its fair value will result in high cost, therefore the Group does not disclosure its fair value.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

### 1. Parent of the Company

Unit: RMB

Name of the parent	Place of incorporation	Nature of business	Registered capital	Proportion of the Company's ownership interest held by the parent (%)	Proportion of the Company's voting power held by the parent (%)
Jiangsu Communications Holding Company Limited ("Communications Holding")	Nanjing, Jiangsu Province	Investment, construction, operation and management of traffic infrastructure, transportation and other relevant industry	16,800,000,000	54.44	54.44

The ultimate control party of the Company is Communications Holding.

### 2. Subsidiaries of the Company

Details of the subsidiaries of the Company are set out in note (VIII).

### 3. Associates and joint ventures of the entity

Details of the significant associates and joint ventures of the Company are set out in note (VIII).

Other associates that have ending balance with the Group due to related party transactions in the current or prior year are as follows:

Name of associates	Related party relationship
Kuailu Co., Ltd.	Associate
Xiexin	Associate
Nanlin Hotel	Associate
Luode	Associate

### 4. Other related parties of the Company

Name of other related party	Relationship between other related parties and the Company
Network Operation Company	Same ultimate shareholder
Sundian	Same ultimate shareholder
Jiangsu Expressway Petroleum Development Co., Ltd. ("Jiangsu Petroleum Company")	Same ultimate shareholder
Jiangsu Leasing	Same ultimate shareholder
Jiangsu Far East Shipping Co., Ltd. ("Far East Shipping")	Same ultimate shareholder
Jiangsu Communications Holding Group Finance Company Limited ("Group Finance Company")	Same ultimate shareholder

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

### 5. Related party transactions

- (1) Sales and purchase of goods, provision and receipt of services purchase of goods and receipt of services:

Unit: RMB

Related party	Type of related party transactions	Amount incurred in the current year	Amount incurred in the prior year
Network Operation Company*	Management fee for toll road system management and maintenance	26,703,928	28,701,701
Sundian*	Road maintenance fee	42,457,204	50,957,442
Nanlin Hotel*	Food and beverage	293,548	297,447
Far East Shipping*	Entrusted loans' interest expense	11,558,333	11,400,722
Group Finance Company *	Liquidity loans' interest expense	4,907,972	2,148,822

Pricing and decision-making procedures of related party transactions: For significant related party transactions, the price is settled by public tender bid price, or for reference of quote from independent, qualified construction provider after arm's length negotiation in principle that less than relevant market price. The Board Meeting should review and approve the quote and the related director should abstain from voting. The independent directors should then express an independent opinion. For other insignificant related party transactions, the price is settled by signed contracts.

Sales and provision of services:

Unit: RMB

Related party	Type of related party transactions	Amount incurred in the current year	Amount incurred in the prior year
Kuailu Co., Ltd.	Petrol fee	9,853,140	12,743,944
Kuailu Co., Ltd.	Toll road fee	4,200,000	7,800,000

Pricing and decision-making procedures of related party transactions: For significant related party transactions, the price is settled by public tender bid price, or for reference of quote from independent, qualified construction provider after arm's length negotiation in principle that less than relevant market price. The Board Meeting should review and approve the quote and the related director should abstain from voting. The independent directors should then express an independent opinion. For other insignificant related party transactions, the price is settled by signed contracts.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

#### 5. Related party transactions *(continued)*

(2) Leases with related parties

Leases where a group entity is the lessor:

Unit: RMB

Name of lessee	Type of leased assets	Lease income recognized in the current year	Lease income recognized in the prior year
Network Operation Company*	Fixed assets	5,270,486	4,460,000
Sundian*	Fixed assets	1,690,000	1,690,000
Jiangsu Petroleum Company*	Fixed assets	4,457,200	3,978,600

(3) Guarantees with related parties

A group entity as the guaranteed party:

Unit: RMB

Guarantor	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed
Communications Holding*	21,224,696	15 October 1998	18 July 2027	Not completed

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

#### 5. Related party transactions *(continued)*

##### (4) Borrowings/loans with related parties

In the current year:

Unit: RMB

Related party	Amount of borrowing/loan	Inception date	Maturity date	Remarks
<b>Borrowed from:</b>				
Far East Shipping*	190,000,000	13 August 2014	13 August 2015	Entrusted loan with annual interest rate of 6%
Far East Shipping*	190,000,000	30 August 2013	30 August 2014	Entrusted loan with annual interest rate of 6%
Group Finance Company*	80,000,000	12 July 2013	11 July 2014	Liquidity loan with annual interest rate of 5.7%
Group Finance Company*	100,000,000	23 June 2014	20 November 2014	Liquidity loan with annual interest rate of 5.7%
Group Finance Company*	20,000,000	25 June 2014	24 June 2015	Liquidity loan with annual interest rate of 5.7%
Group Finance Company*	80,000,000	25 June 2014	19 December 2014	Liquidity loan with annual interest rate of 5.7%
Group Finance Company*	50,000,000	25 June 2014	4 September 2014	Liquidity loan with annual interest rate of 5.6%
<b>Lend to:</b>				
N/A				

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

#### 5. Related party transactions (continued)

##### (4) Borrowings/loans with related parties (continued)

In the prior year:

Unit: RMB

Related party	Amount of borrowing/loan	Inception date	Maturity date	Remarks
<b>Borrowed from:</b>				
Far East Shipping*	40,000,000	29 March 2013	29 August 2013	Entrusted loan with annual interest rate of 6%
Far East Shipping*	50,000,000	10 May 2013	29 August 2013	Entrusted loan with annual interest rate of 6%
Far East Shipping*	100,000,000	25 June 2013	29 August 2013	Entrusted loan with annual interest rate of 6%
Far East Shipping*	190,000,000	30 August 2013	30 August 2014	Entrusted loan with annual interest rate of 6%
Group Finance Company*	80,000,000	12 July 2013	11 July 2014	Liquidity loan with annual interest rate of 5.7%
<b>Lend to:</b>				
N/A				

##### (5) Property transfer and debt recombination with related parties

Unit: RMB

Related party	Type of related party transactions	Amount incurred in the current year	Amount incurred in the prior year
Network Operation Company*	Compensation for the demolition of the Company's houses	7,503,200	—

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

### 5. Related party transactions *(continued)*

- (6) Compensation for key management personnel

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Compensation for key management personnel	2,595,331	2,537,595

- (7) Other explanations

\* Representing the connected transaction as defined in Chapter 14A of the Listing Rules.

### 6. Amounts due from / to related parties

- (1) Amounts due from related parties

Unit: RMB

Item	Related party	Closing balance		Opening balance	
		Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Accountants receivable <i>(note)</i>	Sujiahang	9,018,563	—	7,259,979	—
	Jiangsu Petroleum Company	2,226,500	—	2,165,300	—
	Yangtze Bridge	1,062,283	—	541,226	—
	Yanjiang	889,696	—	135,097	—
	Kuailu Co., Ltd.	47,601	—	—	—
Subtotal		13,244,643	—	10,101,602	—
Other receivable	Network Operation Company	763,429	—	—	—
Dividends receivable	Kuailu Co., Ltd.	4,989,960	—	4,989,960	—

Note: At 31 December 2014, besides the accounts receivable from related party stated above, there are split toll road fee receivables from Suzhou Circular Expressway Co., Ltd., Nanjing fourth Yangtze River Bridge Company Limited and other expressway companies within the toll road network companies ("Toll Road Network Companies") which amounted to RMB52,377,163 (31 December 2013: RMB36,369,557). The ultimate shareholder of those Toll Road Network Companies is Communications Holding, except for which the Company has no other control, joint control or significant influence relationship with them.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

#### 6. Amounts due from / to related parties *(continued)*

(2) Amounts due to related parties

Unit: RMB

Item	Related party	Closing balance	Opening balance
Accounts payable <i>(note)</i>	Sujiahang	2,987,530	2,078,205
	Yanjiang	2,940,407	1,944,738
	Yangtze Bridge	4,417,547	1,221,044
	Sundian	20,494,080	—
	Network Operation Company	2,499,527	—
Subtotal		33,339,091	5,243,987
Receipts in advance	Sundian	80,000	361,667
	Network Operation Company	1,204,100	—
Subtotal		1,284,100	361,667
Other payables	Sundian	—	12,923,196
	Network Operation Company	12,312,477	7,379,868
Subtotal		12,312,477	20,303,064
Short-term borrowings	Far East Shipping	190,000,000	190,000,000
	Group Finance Company	20,000,000	80,000,000
Subtotal		210,000,000	270,000,000
Interest payable	Far East Shipping	348,333	348,333
	Group Finance Company	34,833	137,425
Subtotal		383,166	485,758

*Note:* At 31 December 2014, besides the accounts payable to related party stated above, there are split toll road fee payables to the Toll Road Network Companies which amounted to RMB40,166,634 (31 December 2013: RMB14,242,434). The ultimate shareholder of those Toll Road Network Companies is Communications Holding, except for which the Company has no other control, joint control or significant influence relationship with them.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

### 7. Directors' emoluments

Unit: RMB

Year 2014	Qian Yong Xiang	Fang Hung*	Cheng Chang Yung Tsung*	Xu Chang Xin*	Chen Dong Hua*	Gao Bo*	Zhang Er Zhen*	Yan Shi Ming†	Shao Li†	Total
Director's fee	—	239,094	239,094	75,000	75,000	75,000	75,000	—	—	778,188
Salaries and other benefits	484,550	—	—	—	—	—	—	288,480	288,480	1,061,510
Pension schemes	41,458	—	—	—	—	—	—	24,875	24,875	91,208
<b>Total</b>	<b>526,008</b>	<b>239,094</b>	<b>239,094</b>	<b>75,000</b>	<b>75,000</b>	<b>75,000</b>	<b>75,000</b>	<b>313,355</b>	<b>313,355</b>	<b>1,930,906</b>

Year 2013	Qian Yong Xiang	Fang Hung*	Cheng Chang Yung Tsung*	Xu Chang Xin*	Chen Dong Hua*	Gao Bo*	Zhang Er Zhen*	Yan Shi Ming†	Shao Li†	Total
Director's fee	—	236,452	236,452	60,000	60,000	60,000	60,000	—	—	712,904
Salaries and other benefits	497,500	—	—	—	—	—	—	298,500	298,500	1,094,500
Pension schemes	41,458	—	—	—	—	—	—	24,875	24,875	91,208
<b>Total</b>	<b>538,958</b>	<b>236,452</b>	<b>236,452</b>	<b>60,000</b>	<b>60,000</b>	<b>60,000</b>	<b>60,000</b>	<b>323,375</b>	<b>323,375</b>	<b>1,898,612</b>

\* Independent director

† Supervisor

### 8. Five individuals with the highest emoluments

One (2013: one) of the five individuals with the highest emoluments, i.e. Qian Yong Xiang, in the Group is a director of the Company whose emoluments are included in note of directors' emoluments. The emoluments of the remaining four (2013: four) individuals were as follows:

Unit: RMB

	Current year	Prior year
Salaries	1,442,400	1,513,229
Social insurance and housing funds	121,956	126,102
<b>Total</b>	<b>1,564,356</b>	<b>1,639,331</b>

Their emoluments were within the following bands:

	Number	Number
Less than HKD 1,000,000	4	4

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## XII. COMMITMENTS AND CONTINGENCIES

### 1. Significant commitments

#### (1) Capital commitments

Unit: RMB

	Closing balance	Opening balance
Capital commitments that have been entered into but have not been recognized in the financial statements — Commitment for acquisition and construction of long-term assets	252,411,320	229,210,392
Total	252,411,320	229,210,392

#### (2) Operating lease commitments

At the balance sheet date, the Group had the following commitments in respect of non-cancellable operating leases:

Unit: RMB

	Closing balance	Opening balance
Minimum lease payments under non-cancellable operating leases:		
1st year subsequent to the balance sheet date	2,347,786	3,150,441
2nd year subsequent to the balance sheet date	—	1,605,240
3rd year subsequent to the balance sheet date	—	—
Subsequent periods	—	—
Total	2,347,786	4,755,681

#### (3) Other commitments

The Group is committed to pay in the following year to Jiangsu Ninglian Ningtong Management Office, an independent third party, a management service charge calculated at a fixed rate of 17% of the total toll revenue collected that year on Nanjing-Lianyungang Highway per annum for a term of 30 years from 1 January 2000.

### 2. Contingencies

#### (1) significant contingencies at the balance sheet date

Ninghu Properties, a subsidiary of the Group provides guarantees to banks for bank borrowings granted to buyers of properties Huaqiao C4 Tongcheng Hongqiao Mansion, Huaqiao Urban Core B4 Guangmingjiezuo Project and Baohua Hongyan Community B1 Tongchengshijia Project. The obligation begins from the date on which the guarantee contract comes into effect and will end when the buyers obtain certifications of the purchased properties and complete registration of mortgage and pass the properties warrants certification to bank. As at 31 December 2014, the outstanding guarantees amounted to approximately RMB175,803,094 (31 December 2013: RMB83,921,525).

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### XIII. EVENTS AFTER THE BALANCE SHEET DATE

#### 1. Significant non-adjusting events

According to the 7th Board of Directors on 30 December 2014, the Company has agreed to to acquire all equity interest in Jiangsu Ningchang Zhenli Expressway Limited (“Ningchang Zhenli”), and transfer of all the debts (not exceeds RMB7,500,000,000) of Ningchang Zhenli to the Company and capitalize of such debts into equity for a total consideration of RMB502,000,000; acquire and merge with Jiangsu Xiyi Expressway Limited (“Xiyi Expressway”) for a total consideration of RMB662,000,000. The above transactions have been approved by the shareholders on 12 March 2015. Ningchang Zhenli, Xiyi Expressway and the Company were continued to be ultimately controlled by Communications Holding before and after the transactions, the Company consider the transactions as a business combination under common control which is accounted for using the accounting treatment of business combinations under common control in accordance with Accounting Standards for Business Enterprise No.20- Business Combinations issued by the China Ministry of Finance.

#### 2. Profit appropriation

Unit: RMB

	Amount
Proposed distributions of profits or dividends	1,914,344,050
Distributions of profits or dividends authorized and declared	<u>—</u>

### XIV. OTHER SIGNIFICANT EVENTS

#### 1. Annuity scheme

See note (VI) 21.

#### 2. Retirement benefits scheme

See note (VI) 21.

#### 3. Operating leases

Property rental income earned during the year:

Unit: RMB

	Current year	Prior year
Buildings	<u>2,678,726</u>	<u>4,756,352</u>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## XIV. OTHER SIGNIFICANT EVENTS (continued)

### 4. Net current assets (liabilities)/Total assets less current liabilities

Unit: RMB

	Closing balance	Opening balance
Current assets	5,551,803,073	4,753,929,400
Total assets	27,444,862,983	26,833,912,370
Less: current liabilities	5,742,628,130	5,472,092,946
Net current liabilities	(190,825,057)	(718,163,546)
Total assets less current liabilities	21,702,234,853	21,361,819,424

### 5. Net Profit for the year has been arrived at after charging:

Item	Amount incurred in the current year	Amount incurred in the prior year
Staff costs (Include: directors' emoluments)	510,551,356	462,856,329
Retirement benefits scheme contributions	74,562,024	68,920,417
Total staff costs	585,113,380	531,776,746
Audit fee	3,488,850	2,780,000
Depreciation and amortization (Included in operating costs and administrative expenses)	930,831,143	901,619,161
Losses on disposal of non-current assets	1,704,564	—81,162,042
Amortization of land use rights (Included in operating costs and administrative expenses)	63,184,147	63,532,964
Cost of inventories recognised as an expense	2,193,225,169	1,950,222,413

### 6. Segment reporting

#### (1) Determining basis and accounting policy of reporting segment

Based on the Group's internal organization structure, management requirements and internal reporting system, the operations of the Group are classified into 7 reporting segments. The reporting segments are determined based on the standard with which the Group's management evaluates the operating results of these reporting segments and make decisions about resources to be allocated to the segments. The Group's management periodically evaluates the operating results of these reporting segments to make decisions about resources to be allocated to the segments and assess their performance. Major products and services delivered or provided by each of the reporting segments are Shanghai-Nanjing Expressway, 312 National Highway, Nanjing-Lianyungang Highway, Guangjing Xicheng Expressway, Ancillary services (including Petrol, food and retail in service zone along the expressways), Real estate development and Advertising and others.

Segment information is disclosed in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to management. The measurement criteria are consistent with the accounting and measurement criteria in the preparation of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## XIV. OTHER SIGNIFICANT EVENTS (continued)

### 6. Segment reporting (continued)

#### (2) Financial information of reporting segment

Unit: RMB

	Shanghai-Hangzhou Expressway		312 National Highway		Nanjing-Lianyungang Highway		Guangdong-Jichang Expressway		Ancillary services		Real estate development		Advertising and others		Unaffiliated loans		Total	
	Current year	Prior year	Current year	Prior year	Current year	Prior year	Current year	Prior year	Current year	Prior year	Current year	Prior year	Current year	Prior year	Current year	Prior year	Current year	Prior year
Operating income	4,603,932.28	4,217,920.01	53,001,537	53,454,572	29,941,035	36,880,037	798,365,574	753,053,058	2,207,455,574	2,150,108,212	253,555,650	75,200,074	45,282,587	43,655,863	-	-	7,979,076,255	7,614,226,717
Operating costs	1,107,253,412	1,053,584,846	271,820,764	200,974,284	15,548,058	18,037,586	333,263,833	244,873,238	2,159,329,336	2,099,880,085	137,100,033	29,597,771	16,597,591	15,803,916	-	-	4,020,311,735	3,894,143,781
Including: Amortization of toll roads																		
operation rights	446,823,194	556,428,880	202,176,202	88,437,410	10,459,000	11,787,676	84,727,005	115,384,098	-	-	-	-	-	-	-	-	744,224,491	731,018,053
Costs of petrol and other goods sold	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
in service zones	-	-	-	-	-	-	-	-	1,910,030,085	1,865,326,361	-	-	-	-	-	-	1,910,030,085	1,865,326,361
Segment operating profit (loss)	3,338,559,316	3,458,387,755	(22,822,227)	(147,239,712)	14,392,977	18,842,451	565,101,741	468,177,765	50,948,427	50,948,427	54,655,617	45,602,303	28,274,656	28,157,947	-	-	3,858,764,533	3,920,082,936
Reconciling items:																		
Business taxes and levies	130,584,834	151,930,887	2,963,036	2,942,266	1,008,019	1,222,752	26,825,033	24,800,633	11,931,522	12,464,538	40,573,300	7,446,309	1,622,633	1,481,757	-	-	202,171,192	193,323,352
Selling expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	93,823,355
Administrative expenses	61,472,819	61,821,036	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	176,140,246
Financial expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	282,786,104
Impairment loss of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(500,000)
Gains from changes in fair values	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,103,907
Investment income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	315,329,461
Operating profit	3,717,582,313	3,222,655,222	(226,380,313)	(130,222,048)	13,388,950	17,424,689	533,931,628	463,547,182	16,524,426	37,794,889	2,484,033	28,996,028	27,007,411	26,101,801	(84,065,516)	(84,065,516)	3,407,261,507	3,557,162,467
Non-operating income	-	88,783,800	-	-	-	-	-	-	-	-	-	-	-	-	13,777,092	13,777,092	20,779,594	105,541,001
Non-operating expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	33,021,065	32,206,354	(33,021,065)	32,206,354
Total profit	3,717,582,313	3,311,369,022	(226,380,313)	(130,222,048)	13,388,950	17,424,689	533,931,628	463,547,182	16,524,426	37,794,889	2,484,033	28,996,028	27,007,411	26,101,801	(67,653,742)	(67,653,742)	3,455,000,036	3,627,497,114
Income tax expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	85,670,224
Net profit	3,717,582,313	3,311,369,022	(226,380,313)	(130,222,048)	13,388,950	17,424,689	533,931,628	463,547,182	16,524,426	37,794,889	2,484,033	28,996,028	27,007,411	26,101,801	(65,370,644)	(65,370,644)	3,469,329,812	3,712,826,890
Total segment assets	12,638,817,529	13,444,688,917	945,031,931	1,154,022,069	335,612,916	316,071,085	1,470,948,828	1,530,754,150	346,717,468	338,536,057	3,322,482,081	2,881,629,669	378,643,501	384,536,444	7,731,027,339	6,824,443,269	27,444,832,933	28,838,912,370
Total segment liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,735,694,831

## XIV. OTHER SIGNIFICANT EVENTS (continued)

### 6. Segment reporting (continued)

#### (2) Financial information of reporting segment

Unit: RMB

	Sungai-haining Expressway		312 National Highway		Nanjing-Lianyungang Highway		Guangdong Kichang Expressway		Ancillary services		Real estate development		Advertising and others		Unaffiliated loans		Total	
	Current year	Prior year	Current year	Prior year	Current year	Prior year	Current year	Prior year	Current year	Prior year	Current year	Prior year	Current year	Prior year	Current year	Prior year	Current year	Prior year
Depreciation and amortization	643,271,575	676,570,388	10,540,082	11,787,675	10,459,100	11,787,675	10,567,522	137,745,003	19,233,020	20,556,577	1,522,683	1,127,296	6,948,551	8,001,398	11,143,339	7,628,786	933,359,977	965,192,125
Interest income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,393,442	7,051,553	4,933,442	7,051,553
Interest expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	300,356,671	288,687,656	300,356,671	288,687,656
Investment income from long-term equity investment under equity method	-	-	-	-	-	-	-	-	-	-	-	-	-	-	310,957,218	265,462,187	310,957,218	265,462,187
Noncurrent assets other than long-term equity investments	12,936,971,529	13,444,688,917	1,154,020,089	316,071,035	3,939,672,946	1,777,691,444	1,777,691,444	1,300,754,150	346,711,466	339,336,057	8,330,455	10,889,346	67,733,672	61,305,361	1,320,043,136	1,455,120,332	17,716,469,641	19,292,653,099
Capital expenditure	284,479,636	180,975,184	497,823	1,927,429	-	63,776,640	37,598,460	25,316,613	9,266,545	1,678,712	2,511,088	-	6,888,654	5,645,322	-	2,765,677	338,644,327	240,842,115
Incl. Expenditure arising from construction in progress	227,633,864	149,714,671	-	-	-	48,305,033	23,719,388	25,316,613	3,882,701	-	-	-	6,619,654	4,614,361	-	2,765,677	338,731,634	184,697,218
Expenditure arising from purchase of fixed assets	37,265,321	31,260,519	497,823	1,927,429	-	21,471,577	13,848,072	-	5,383,844	1,678,712	2,511,088	-	-	800,941	-	-	60,924,133	56,144,897
Expenditure arising from purchase of intangible asset	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Segment profit represents the gross profit earned by each segment without allocation of finance costs, and investment income. This is the measure reported to the Group's chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performances and allocating resources between segments, assets are allocated to segments other than available-for-sale financial assets, long-term equity investment, held-for-trading financial assets and cash and bank balances etc.

(3) External revenue by geographical area of source and non-current assets by geographical location

All income and assets of the Group are from/located in Jiangsu province.

(4) Degree of reliance on major customers

The principle activities are toll roads operation and ancillary services along toll roads etc., therefore, there is no reliance on specific customers.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

### 1. Cash and bank balances

Unit: RMB

Item	Closing balance			Opening balance		
	Foreign currency	Exchange rate	Amount in RMB	Foreign currency	Exchange rate	Amount in RMB
Cash:						
RMB			222,671			125,067
Bank balances:						
RMB			237,356,362			219,649,370
USD	1,372	6.1190	8,393	1,371	6.0969	8,359
HKD	1,357,059	0.7889	1,070,584	1,327,050	0.7862	1,043,327
Total			238,658,010			220,826,123

### 2. Accounts receivable

(1) Disclosure of accounts receivable by categories:

Unit: RMB

Category	Closing balance					Opening balance				
	Carrying amount		Bad debt provision		Net book value	Carrying amount		Bad debt provision		Net book value
Amount	Proportion (%)	Amount	Proportion (%)	Amount		Proportion (%)	Amount	Proportion (%)		
Accounts receivable that are individually significant and for which bad debt provision has been assessed individually	—	—	—	—	—	—	—	—	—	—
Accounts receivable for which bad debt provision has been assessed by portfolios	80,276,320	100	151,248	—	80,125,072	45,802,206	100	—	—	45,802,206
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually	—	—	—	—	—	—	—	—	—	—
Total	80,276,320	100	151,248	—	80,125,072	45,802,206	100	—	—	45,802,206

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

(continued)

#### 2. Accounts receivable (continued)

- (1) Disclosure of accounts receivable by categories: (continued)

Accounts receivables portfolios for which bad debt provision has been assessed using the percentage of total receivables outstanding approach:

Name of portfolio	Carrying amount		Proportion (%)
	Accounts receivable	Bad debt provision	
portfolio 2	7,562,395	151,248	2
Total	7,562,395	151,248	2

Basis for determining the above portfolio: See Note(III)10.2.

- (2) Aging analysis of accounts receivables is as follows:

Unit: RMB

Aging	Closing balance				Opening balance			
	Amount	Proportion (%)	Bad debt provision	Carrying amount	Amount	Proportion (%)	Bad debt provision	Carrying amount
Within 1 year	80,276,320	100	151,248	80,125,072	45,802,206	100	—	45,802,206
More than 1 year but not exceed 2 years	—	—	—	—	—	—	—	—
More than 2 years but not exceeding 3 years	—	—	—	—	—	—	—	—
More than 3 years	—	—	—	—	—	—	—	—
Total	80,276,320	100	151,248	80,125,072	45,802,206	100	—	45,802,206

- (3) Provision recorded and written off in the current period

Provision recorded in the current period is RMB151,248.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

(continued)

#### 2. Accounts receivable (continued)

(4) Top five entities with the largest balances of accounts receivable

Unit: RMB

Name of entity	Amount	Bad debt provision	Proportion of the amount to the total accounts receivable (%)
Network Operation Company	19,908,011	—	25
Sinopec Sales Co., Ltd. Jiangsu Branch	19,277,637	—	24
Sujiahang	7,882,526	—	10
Suzhou Circular Expressway Co., Ltd.	4,089,483	—	5
Nanjing fourth Yangtze River Bridge Company Limited	3,106,523	—	4
Total	<u>54,264,180</u>	<u>—</u>	<u>68</u>

#### 3. Prepayments

(1) The aging analysis of prepayments is as follows:

Unit: RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	257,150,125	100	11,881,980	76
1-2 years	—	—	3,810,000	24
2-3 years	2,000	—	—	—
Total	<u>257,152,125</u>	<u>100</u>	<u>15,691,980</u>	<u>100</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

(continued)

#### 3. Prepayments (continued)

(2) Top five entities with the largest balances of prepayments

Unit: RMB

Name of entity	Amount	Proportion of the amount to the total prepayments (%)
Nanjing Finance Bureau	250,000,000	97
Sinopec Jiangsu Petroleum Company	5,577,722	2
Jiangsu Wuxi Electric Co., Ltd.	408,340	—
Suzhou Electric Co., Ltd.	259,641	—
Nanjing land and resource Bureau	250,005	—
Total	<u>256,495,708</u>	<u>99</u>

#### 4. Other receivables

(1) Disclosure of other receivable by categories:

Unit: RMB

Category	Closing balance				Net book value	Opening balance				
	Carrying amount		Bad debt provision			Carrying amount		Bad debt provision		
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	Net book value
Other receivable that are individually significant and for which bad debt provision has been assessed individually	15,812,140	1	15,812,140	99	—	15,812,140	1	15,812,140	98	—
Other receivable for which bad debt provision has been assessed by portfolios	1,519,815,792	99	134,722	1	1,519,681,070	1,216,671,022	99	382,097	2	1,216,288,925
Other receivable that are not individually significant but for which bad debt provision has been assessed individually	—	—	—	—	—	—	—	—	—	—
Total	<u>1,535,627,932</u>	<u>100</u>	<u>15,946,862</u>	<u>100</u>	<u>1,519,681,070</u>	<u>1,232,483,162</u>	<u>100</u>	<u>16,194,237</u>	<u>100</u>	<u>1,216,288,925</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

(continued)

#### 4. Other receivables (continued)

- (1) Disclosure of other receivable by categories: (continued)

Other receivable that are individually significant and for which bad debt provision has been assessed individually:

Unit: RMB

Other receivables (According to entity)	Other receivables	Closing balance		Reasons
		Bad debt provision	Proportion (%)	
Yicao Road Management Office	15,812,140	15,812,140	100	Age over 3 years, is not expected to be recovered

Other receivables portfolios for which bad debt provision has been assessed using the percentage of total receivables outstanding approach:

Unit: RMB

Name of portfolio	Carrying amount	Bad debt provision	Proportion (%)
Portfolio 2	6,736,096	134,722	2
Total	6,736,096	134,722	2

Basis for determining the above portfolio: See Note(III)10.2.

- (2) Provision recorded and written off in the current period

Provision reversal in the current period is RMB247,375.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

(continued)

#### 4. Other receivables (continued)

(3) Disclosure of other receivables by nature: (continued)

Unit: RMB

Nature	Closing balance	Opening balance
Receivables from disposal stations of 312 National Highway	1,124,177,798	1,124,177,798
Loans to subsidiaries	310,000,000	—
Receivables from disposal of Zhenjiang branch	74,033,640	84,033,640
Investment liquidation accounts	15,812,140	15,812,140
Petty cash	3,780,500	3,667,500
Rental warranty fund	2,928,000	—
Compensation income from damaged road	1,136,737	1,318,234
Other miscellaneous receivables	3,759,116	3,473,850
Total	1,535,627,931	1,232,483,162

(4) Top five entities with the largest balances of other receivables

Unit: RMB

Name of entity	Nature of other receivables	Amount	Aging	Proportion of the amount to total other receivables (%)	Closing balance of bad debt provision
Jiangsu Provincial Government	Disposal stations of 312 National Highway	1,124,177,798	2-3 years	73	—
Ninghu properties	Loans	310,000,000	Within 1 year	20	—
Zhenjiang Investment and Construction Development Company	Receivables from disposal of Zhenjiang branch	74,033,640	1-2 years	5	—
Yicao Road Management Office	Investment liquidation accounts	15,812,140	Over 3 years	1	15,812,140
Jiangsu Zhengxinhe Communication Development Co. Ltd.	Leasing transaction	2,928,000	Within 1 year	—	—
Total		1,526,951,578		99	15,812,140

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

(continued)

#### 5. Inventories

Categories of inventories

Unit: RMB

Item	Closing balance			Opening balance		
	Gross carrying amount	Provision for decline in value of inventories	Net carrying amount	Gross carrying amount	Provision for decline in value of inventories	Net carrying amount
Spare parts for repair and maintenance	12,778,929	—	12,778,929	10,726,286	—	10,726,286
Petrol	8,216,484	—	8,216,484	9,647,863	—	9,647,863
Total	<u>20,995,413</u>	<u>—</u>	<u>20,995,413</u>	<u>20,374,149</u>	<u>—</u>	<u>20,374,149</u>

#### 6. Non-current assets due within one year

Unit: RMB

Item	Closing balance	Opening balance
Non-current assets due within one year	150,000,000	—
Total	<u>150,000,000</u>	<u>—</u>

#### 7. Available-for-sale financial assets

Unit: RMB

Item	Closing balance			Opening balance		
	Gross carrying amount	Impairment provision	Net carrying amount	Gross carrying amount	Impairment provision	Net carrying amount
Available-for-sale equity instruments Measured at cost	<u>1,008,915,500</u>	<u>—</u>	<u>1,008,915,500</u>	<u>1,008,915,500</u>	<u>—</u>	<u>1,008,915,500</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

(continued)

#### 7. Available-for-sale financial assets (continued)

(2) Available-for-sale financial assets measured at cost

Unit: RMB

Investee	Carrying amount			Closing balance	Impairment provision			Closing balance	The proportion of shareholding in the Investee (%)	Cash dividends in the year
	Opening balance	Addition	Decrease		Opening balance	Addition	Decrease			
Network Operation Company	5,230,000	—	—	5,230,000	—	—	—	—	3.62	—
Sundian	3,685,500	—	—	3,685,500	—	—	—	—	7.50	—
Bank of Jiangsu	1,000,000,000	—	—	1,000,000,000	—	—	—	—	1.92	16,000,000
<b>Total</b>	<b>1,008,915,500</b>	<b>—</b>	<b>—</b>	<b>1,008,915,500</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>		<b>16,000,000</b>

The ending balance of the equity investment to the foregoing investees by the company is RMB1,008,915,500. Since the stocks of the investees have not quoted in an active market and the fair value could not be reliably measured, the Company measures them based on the cost. The Company has intention to continue to hold the equity of the invested entities in the next year.

#### 8. Long-term equity investments

Unit: RMB

Item	Closing balance			Opening balance		
	Cross carrying amount	Provision for impairment	Net carrying amount	Cross carrying amount	Provision for impairment	Net carrying amount
Investments on subsidiaries	2,875,100,000	—	2,875,100,000	2,735,100,000	—	2,735,100,000
Investments on associates	2,342,807,838	—	2,342,807,838	2,028,169,798	—	2,028,169,798
<b>Total</b>	<b>5,217,907,838</b>	<b>—</b>	<b>5,217,907,838</b>	<b>4,763,269,798</b>	<b>—</b>	<b>4,763,269,798</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

(continued)

#### B. Long-term equity investments (continued)

##### (1) Investments on subsidiaries

Unit: RMB

Investee	Opening balance	Changes in the year	Closing balance	Provision for impairment	Cash dividend for the year
Subsidiaries					
Guangjing Xicheng	2,125,000,000	—	2,125,000,000	—	260,492,867
Ninghu Investment	110,100,000	—	110,100,000	—	—
Ninghu Properties	500,000,000	—	500,000,000	—	—
Zhendan Expressway	—	140,000,000	140,000,000	—	—
Total	2,735,100,000	140,000,000	2,875,100,000	—	260,492,867

##### (2) Investments on associates

Unit: RMB

Investee	Opening balance	Changes in the current year			Investment income under the equity method	Adjustment of other comprehensive income	Other changes in equity	Declaration of cash dividends or profits	Provision for impairment losses	Closing balance	Closing balance of impairment loss
		Increase	Decrease								
Associates											
Kuailu Co., Ltd.	64,181,065	—	—	(1,267,601)	—	—	—	—	—	62,913,464	—
Yangtze Bridge	1,000,463,785	—	—	101,681,151	93,030,727	(1,586,347)	(56,983,566)	—	—	1,136,605,750	—
Sujiahang	771,707,729	—	—	116,333,102	—	—	(42,092,000)	—	—	845,948,831	—
Sujiayong	188,937,219	105,015,240	—	(39,359)	—	—	—	—	—	293,913,100	—
Xiexin	2,880,000	1,846,100	—	(1,299,407)	—	—	—	—	—	3,426,693	—
Total	2,028,169,798	106,861,340	—	215,407,886	93,030,727	(1,586,347)	(99,075,566)	—	—	2,342,807,838	—

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

(continued)

### 9. Fixed assets

(1) Details of fixed assets are as follows:

Unit: RMB

Item	Buildings	Safety equipment	Communication and surveillance equipment	Toll and ancillary equipment	Machinery and equipment	Electronic equipment	Motor vehicles	Furniture and others	Total
<b>I. Total original carrying amount</b>									
1. Opening carrying amount	681,445,848	344,798,460	217,081,286	243,627,579	331,354,440	—	120,488,980	—	1,938,796,593
2. Increase in the current year	62,185,855	60,190,398	65,697,276	27,830,486	65,659,628	42,138,087	5,058,841	7,264,360	336,024,931
(1) Purchase	7,751	—	1,578,766	9,297,387	16,196,476	4,563,195	5,058,841	1,041,728	37,744,144
(2) Transferred from intangible assets	—	42,998,568	—	—	—	—	—	—	42,998,568
(3) Transferred from construction in progress	57,080,614	17,191,830	57,827,546	18,533,099	7,677,452	1,735,282	—	127,424	160,173,247
(4) Reclassification	5,097,490	—	6,290,964	—	41,785,700	35,839,610	—	6,095,208	95,108,972
3. Decrease in the current year	14,505,607	23,431,860	31,237,630	22,566,242	22,590,320	4,876,537	73,569,783	978,191	193,756,170
(1) Disposal or retirement	14,505,607	384,592	26,691,288	21,326,207	22,590,320	4,876,537	7,294,456	978,191	98,647,198
(2) Reclassification	—	23,047,268	4,546,342	1,240,035	—	—	66,275,327	—	95,108,972
4. Closing carrying amount	729,126,096	381,556,998	251,540,932	248,891,823	374,423,748	37,261,550	51,978,038	6,286,169	2,081,065,354
<b>II. Total accumulated depreciation</b>									
1. Opening carrying amount	231,754,081	240,127,650	136,454,151	141,288,233	217,307,305	—	69,041,270	—	1,035,972,690
2. Increase in the current year	31,304,359	47,787,033	40,324,429	17,389,858	45,906,972	26,598,226	6,629,924	4,415,927	220,356,728
(1) Amount accrued	27,096,751	35,322,615	40,060,373	17,389,858	27,542,495	7,074,318	6,629,924	1,146,112	162,262,446
(2) Transferred from intangible assets	—	12,464,418	—	—	—	—	—	—	12,464,418
(3) Reclassification	4,207,608	—	264,056	—	18,364,477	19,523,908	—	3,269,815	45,629,864
3. Decrease in the current year	4,176,501	396,691	26,251,684	20,528,483	19,860,354	5,169,876	51,446,987	948,844	128,779,420
(1) Disposal or retirement	4,176,501	336,944	25,885,879	20,275,193	19,860,354	5,169,876	6,495,965	948,844	83,149,556
(2) Reclassification	—	59,747	365,805	253,290	—	—	44,951,022	—	45,629,864
4. Closing carrying amount	258,881,939	287,517,992	150,526,896	138,149,608	243,353,923	21,428,350	24,224,207	3,467,083	1,127,549,998
<b>III. Total provision for impairment losses</b>									
1. Opening carrying amount	—	—	—	—	—	—	—	—	—
2. Increase in the current year	—	—	—	—	—	—	—	—	—
3. Decrease in the current year	—	—	—	—	—	—	—	—	—
4. Closing carrying amount	—	—	—	—	—	—	—	—	—
<b>IV. Total net book value of fixed assets</b>									
1. Closing net book value	470,244,157	94,039,006	101,014,036	110,742,215	131,069,825	15,833,200	27,753,831	2,819,086	953,515,356
2. Opening net book value	449,691,767	104,670,810	80,627,135	102,339,346	114,047,135	—	51,447,710	—	902,823,903

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

(continued)

#### 9. Fixed assets (continued)

(2) Fixed assets leased out under operating leases

Unit: RMB

Item	Closing balance	Opening balance
Buildings	33,493,112	40,992,269

(3) Fixed assets of which certificates of title have not been obtained

Unit: RMB

Item	Amount	Reasons for not obtained certificates
Shanghai-Nanjing Expressway Lujia toll station	4,589,034	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Xuejia toll station	1,564,736	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Wuxi airport toll station	5,273,043	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Kunshan toll station	5,273,535	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Suzhou management offices	10,104,009	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Changzhou Luoshuwan buildings	3,491,225	Have not obtained certification yet.
Shanghai-Nanjing Expressway Changzhou ETC customer service branch buildings	1,081,707	Have not obtained certification yet.
Service zone office buildings	2,547,244	Have not obtained certification yet.
Shanghai-Nanjing Expressway Heyang toll station	2,123,176	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Zhenjiang toll station	12,483,468	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Danyang toll station	1,501,707	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway South Network Center and project management center houses	17,679,101	Incorporated into communication facilities and cannot obtain certification at present.
Buildings in Danyang toll station of Shanghai-Nanjing Expressway	14,469,946	Have not obtained certification yet.
Buildings in management areas and Xidong toll station	26,028,633	Transferred into fixed asset at estimate amount and not finally settled yet.
Living buildings of management areas	2,267,183	Transferred into fixed asset at estimate amount and not finally settled yet.
Total	<u>110,477,747</u>	

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

(continued)

#### 10. Construction in progress

(1) Details of construction in progress are as follows:

Unit: RMB

Item	Closing balance			Opening balance		
	Carrying amount	Provision for impairment losses	Net carrying amount	Carrying amount	Provision for impairment losses	Net carrying amount
Information project	43,807,499	—	43,807,499	48,808,601	—	48,808,601
Housing projects of Toll stations and service zones	62,159,831	—	62,159,831	35,220,028	—	35,220,028
Noise barrier construction project	10,134,887	—	10,134,887	9,044,736	—	9,044,736
Three big system construction project	13,788,903	—	13,788,903	4,242,800	—	4,242,800
Lighting system construction project	1,937,030	—	1,937,030	—	—	—
Suzhou inter-communication Expansion project	65,340,000	—	65,340,000	—	—	—
Others	11,078,411	—	11,078,411	6,385,877	—	6,385,877
<b>Total</b>	<b>208,246,561</b>	<b>—</b>	<b>208,246,561</b>	<b>103,702,042</b>	<b>—</b>	<b>103,702,042</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

(continued)

#### 10. Construction in progress (continued)

(2) Changes in significant construction in progress

Unit: RMB

Item	Budget amount	Opening balance	Increase in current year	Transfer to fixed assets	Other decreases	closing balance	Amount injected as a proportion of budget amount (%)	Construction progress	Amount of accumulated capitalized interest	Including: capitalized interest for the year	Interest capitalization rate for the year (%)	Source of funds
Information project	85,014,790	48,808,601	47,806,599	52,807,701	—	43,807,499	52%	In progress	—	—	—	Own funds
Housing projects of Toll stations and service zones	179,249,400	35,220,028	84,159,787	57,219,985	—	62,159,830	35%	In progress	—	—	—	Own funds
Noise barrier construction project	32,800,000	9,044,736	18,262,819	17,172,668	—	10,134,867	31%	In progress	—	—	—	Own funds
Three big system construction project	28,868,100	4,242,800	35,406,026	25,859,922	—	13,788,904	48%	In progress	—	—	—	Own funds
Lighting system construction project	25,500,000	—	1,937,030	—	—	1,937,030	1%	In progress	—	—	—	Own funds
Suzhou inter-communication Expansion project	109,150,000	—	65,340,000	—	—	65,340,000	60%	In progress	—	—	—	Own funds
Others	N/A	6,385,877	11,805,505	7,112,971	—	11,078,411		In progress	—	—	—	Own funds
Total		103,702,042	264,717,766	160,173,247	—	208,246,561			—	—	—	

(3) The Company did not note any indicators of impairment; therefore, there is no provision for impairment losses for construction in progress



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

(continued)

#### 11. Intangible assets

(1) Details of intangible assets

Unit: RMB

Item	Toll road operation rights	Land use rights	Total
<b>I. Total original carrying amount</b>			
1. Opening carrying amount	19,300,350,513	1,701,468,873	21,001,819,386
2. Increase in the current year	—	—	—
3. Decrease in the current year	42,998,568	—	42,998,568
(1) Transferred to fix assets	42,998,568	—	42,998,568
4. Closing carrying amount	19,257,351,945	1,701,468,873	20,958,820,818
<b>II. Total accumulated amortization</b>			
1. Opening carrying amount	5,881,080,431	892,450,889	6,773,531,320
2. Increase in the current year	659,557,485	62,386,987	721,944,472
(1) Amortization accrued	659,557,485	62,386,987	721,944,472
3. Decrease in the current year	12,464,418	—	12,464,418
(1) Transferred to fix assets	12,464,418	—	12,464,418
4. Closing carrying amount	6,528,173,498	954,837,876	7,483,011,374
<b>III. Total provision for impairment losses</b>			
1. Opening carrying amount	—	—	—
2. Increase in the current year	—	—	—
3. Decrease in the current year	—	—	—
4. Closing carrying amount	—	—	—
<b>IV. Total net book value of intangible assets</b>			
Closing net book value	12,729,178,447	746,630,997	13,475,809,444
Opening net book value	13,419,270,082	809,017,984	14,228,288,066

Location and useful life analysis of land use right is as follows:

Unit: RMB

Located in PRC	Closing balance	Opening balance
Medium-term land use rights (10-50 years)	746,630,997	809,017,984

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

(continued)

#### 12. Deferred tax assets/deferred tax liabilities

(1) Deferred tax assets that are not offset

Unit: RMB

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment losses of assets	16,098,110	4,024,527	16,194,237	4,048,559
Total	<u>16,098,110</u>	<u>4,024,527</u>	<u>16,194,237</u>	<u>4,048,559</u>

#### 13. Other non-current assets

Unit: RMB

Item	Closing balance	Opening balance
Entrusted loan	1,690,000,000	1,690,000,000
Less: Entrusted loan due within 1 year	150,000,000	—
Entrusted loan due after 1 year	<u>1,540,000,000</u>	<u>1,690,000,000</u>

The entrusted loans at year end are for the loans to Ninghu Properties provided by the Company through China Merchants Bank (Nanjing Branch), Shanghai Pudong Development Bank (Nanjing Branch) and China CITIC Bank (Nanjing Branch), the annual interest rate is 6.15%.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

(continued)

#### 14. Short-term borrowings

(1) Categories of short-term borrowings:

Unit: RMB

Item	Closing balance	Opening balance
Unsecured loans	340,000,000	1,060,000,000
Including: Bank loans	150,000,000	800,000,000
Entrusted loans (note1)	190,000,000	260,000,000
Short-term bonds (note2)	1,000,000,000	2,000,000,000
Super short-term bonds (note3)	2,000,000,000	—
<b>Total</b>	<b>3,340,000,000</b>	<b>3,060,000,000</b>

Note1: Entrusted loans are provided by Jiangsu Far East Shipping Co., Ltd. through China CITIC Bank on 13 August 2014, the principal is RMB190,000,000, annual interest rate is 6.00%, and duration period is 1 year.

Note2: Short-term bonds (Code: 041454081) are issued on 12 December 2014 at par value of RMB1,000,000,000. Bond duration is 270 days. Annual interest rate is 5.05%.

Note3: Super short-term bonds include bonds issued on 12 June 2014, 22 August 2014, 10 October 2014 and 12 November 2014 with the par value RMB500,000,000 (Code: 011484002), RMB400,000,000 (Code: 011484003), RMB400,000,000 (Code: 011484004) and RMB700,000,000 (Code: 011484005) respectively. The annual interest rate is 4.89%, 4.8%, 4.8% and 4%. Bond duration is 270 days, 150 days, 270 days and 266 days.

(2) There are no short-term borrowings overdue but not yet repaid.

#### 15. Accounts payable

(1) Details of accounts payable are as follows:

Unit: RMB

Item	Closing balance	Opening balance
Construction payable	149,343,134	34,500,404
Toll road fee payable	41,833,934	19,294,031
Purchase payable for oil of service zones	15,799,258	23,013,895
Others	31,373,837	—
<b>Total</b>	<b>238,350,163</b>	<b>76,808,330</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

(continued)

#### 15. Accounts payable (continued)

(2) Aging analysis of accounts payable is as follows:

Unit: RMB

Item	Closing balance	Opening balance
Within 1 year	211,284,857	43,270,789
1-2 years	4,300,832	—
2-3 years	—	—
Over 3 years	22,764,474	65,990,419
Total	238,350,163	109,261,208

(3) Significant accounts payable aging more than one year in the closing balance

Unit: RMB

Item	Closing balance	Reasons for outstanding
Construction payable	27,065,306	Long settlement procedure of the project

#### 16. Employee benefits payable

(1) Details of employee benefits payable are as follows:

Unit: RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
1. Short term compensation	760,992	426,756,248	426,530,149	987,091
2. Post-employment benefits				
— Defined contribution plan	—	66,116,837	66,116,837	—
3. Termination benefits	—	640,691	640,691	—
4. Other welfare due within one year	—	—	—	—
Total	760,992	493,513,776	493,287,677	987,091

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

(continued)

#### 16. Employee benefits payable (continued)

(2) Details of short-term compensation are as follows:

Unit: RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
I. Wages or salaries, bonuses, allowances and subsidies	—	283,925,208	283,925,208	—
II. Staff welfare	—	23,619,920	23,619,920	—
III. Social security contributions	—	35,645,134	35,645,134	—
Including: Medical insurance	—	32,152,907	32,152,907	—
Work injury insurance	—	1,741,204	1,741,204	—
Maternity insurance	—	1,751,023	1,751,023	—
IV. Housing funds	—	25,147,759	25,147,759	—
V. Union running costs and employee education costs	760,992	8,550,974	8,324,875	987,091
VI. Non-monetary welfare	—	34,229,114	34,229,114	—
VII. Others	—	15,638,139	15,638,139	—
Total	<u>760,992</u>	<u>426,756,248</u>	<u>426,530,149</u>	<u>987,091</u>

(3) Defined contribution plan

Unit: RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
1. Basic endowment insurance	—	41,257,231	41,257,231	—
2. Unemployment insurance	—	3,090,508	3,090,508	—
3. Enterprise annuity payment	—	21,769,098	21,769,098	—
Total	<u>—</u>	<u>66,116,837</u>	<u>66,116,837</u>	<u>—</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

(continued)

### 16. Employee benefits payable (continued)

(3) Defined contribution plan (continued)

Note:

(1) Defined contribution plan

The Company participates in basic pension insurance, unemployment insurance plan established by government in accordance with the relevant requirements. According to the plan, the Company makes a monthly contribution equivalent to 20% and 2% of the employee's monthly basic wage based on last year's salary. The Company participates annuity scheme which operated by an independent third party and makes a monthly contribution equivalent to 8.33% of the employee's monthly basic wage based on last year's salary. The Company no longer undertake further payment obligation. The corresponding cost charges to the profit or loss for the current period or the cost of a relevant asset when occur.

During the year, the Company contributes RMB41,257,231, RMB21,769,098 and RMB3,090,508 to basic pension insurance, annuity scheme, unemployment insurance plan respectively (2013: RMB37,626,739, RMB19,939,806 and RMB3,243,357). All the contribution had paid over to the schemes as at 31 December 2014.

(2) Non-monetary welfare

Non-monetary benefits are RMB34,229,114 (2013: RMB19,005,419), which represent purchased non-monetary holiday gifts that distributed to employee etc., calculating on a certified basis of purchase costs.

### 17. Taxes payable

Unit: RMB

Item	Closing balance	Opening balance
Enterprise income tax	57,439,219	115,700,446
Business tax	12,238,427	13,197,510
VAT	2,141,227	1,381,261
Property tax	90,746	301,175
Individual income tax	1,728,961	1,714,516
Others	3,121,977	2,923,545
Total	<u>76,760,557</u>	<u>135,218,453</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

(continued)

#### 18. Other payables

(1) Details of other payables are as follows:

Unit: RMB

Item	Closing balance	Opening balance
312 toll road operation right acquisition costs payable	10,000,000	10,000,000
Daily purchase payable for service zones	9,119,457	18,034,615
ETC rechargeable card for Network Operation Company	9,141,375	3,742,355
Construction quality warrantee fee payable	—	98,218,586
Others	3,568,991	15,263,052
Total	<u>31,829,823</u>	<u>145,258,608</u>

(2) Significant other payables aged more than one year

Unit: RMB

Item	Closing balance	Reasons for outstanding
312 toll road operation right acquisition costs payable	<u>10,000,000</u>	<u>Not settled yet</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

(continued)

#### 19. Capital reserve

Unit: RMB

Item	Opening balance	Increase in the year	Decrease in the year	Closing balance
<b>Year 2014:</b>				
Capital premium	4,801,561,763	—	—	4,801,561,763
Other capital reserve (note)	2,682,977,235	—	1,586,347	2,681,390,888
Including: Share of capital reserve of the investee under the equity method	—	—	1,586,347	(1,586,347)
Transfer from capital reserve under the previous accounting system	2,682,977,235	—	—	2,682,977,235
<b>Total</b>	<b>7,484,538,998</b>	<b>—</b>	<b>1,586,347</b>	<b>7,482,952,651</b>
<b>Year 2013:</b>				
Capital premium	4,801,561,763	—	—	4,801,561,763
Other capital reserve	2,682,977,235	—	—	2,682,977,235
Including: Share of capital reserve of the investee under the equity method	—	—	—	—
Transfer from capital reserve under the previous accounting system	2,682,977,235	—	—	2,682,977,235
<b>Total</b>	<b>7,484,538,998</b>	<b>—</b>	<b>—</b>	<b>7,484,538,998</b>

Note: The decrease of other capital reserve this year is mainly because of the adjustment to capital premium caused by Yangtze Bridge, the associate of the Company, when consolidating Jiangsu Xizhang Co., Ltd under the common control. The Company adjusted capital reserve at the share proportion.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

(continued)

#### 20. Other comprehensive income

Unit: RMB

Item	Opening balance	Before-tax amount for the current year	Amount for the current year		Post-tax net amount attribute to parent company owners	Post-tax net amount attribute to minority shareholders	Closing balance
			Less: Net amount included in other comprehensive income in the prior periods that is reclassified to profit or loss for the year	Less: Income tax expense			
<b>Year 2014</b>							
I. Other comprehensive income that will not be reclassified subsequently to profit or loss	—	—	—	—	—	—	—
II. Other comprehensive income that will be reclassified subsequently to profit or loss	77,433,089	93,030,727	—	—	93,030,727	—	170,463,816
Including:							
Share of other comprehensive income of the investee under the equity method that will be reclassified subsequently to profit or loss	77,433,089	93,030,727	—	—	93,030,727	—	170,463,816
Gains (losses) arising from available-for-sale financial assets	—	—	—	—	—	—	—
<b>Total other comprehensive income</b>	<b>77,433,089</b>	<b>93,030,727</b>	<b>—</b>	<b>—</b>	<b>93,030,727</b>	<b>—</b>	<b>170,463,816</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

(continued)

#### 20. Other comprehensive income (continued)

Unit: RMB

Item	Opening balance	Before-tax amount for the current year	Amount for the current year		Post-tax net amount attribute to parent company owners	Post-tax net amount attribute to minority shareholders	Closing balance
			Less: Net amount included in other comprehensive income in the prior periods that is reclassified to profit or loss for the year	Less: Income tax expense			
<b>Year 2013</b>							
I. Other comprehensive income that will not be reclassified subsequently to profit or loss	—	—	—	—	—	—	—
II. Other comprehensive income that will be reclassified subsequently to profit or loss	62,980,138	14,452,951	—	—	14,452,951	—	77,433,089
Including:							
Share of other comprehensive income of the investee under the equity method that will be reclassified subsequently to profit or loss	62,980,138	14,452,951	—	—	14,452,951	—	77,433,089
Gains (losses) arising from available-for-sale financial assets	—	—	—	—	—	—	—
Total other comprehensive income	<u>62,980,138</u>	<u>14,452,951</u>	<u>—</u>	<u>—</u>	<u>14,452,951</u>	<u>—</u>	<u>77,433,089</u>

Note: During the year, other comprehensive income increased from the fair value adjustment of the available for sale financial assets of Yangtze Bridge, the associate of the Company. The Company adjusted other comprehensive income at the share proportion.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

(continued)

#### 21. Surplus reserves

Unit: RMB

Item	Opening balance	Increase in the year	Decrease in the year	Closing balance
<b>Year 2014:</b>				
Statutory surplus reserve	2,470,793,441	48,080,309	—	2,518,873,750
<b>Year 2013:</b>				
Statutory surplus reserve	2,229,960,693	240,832,748	—	2,470,793,441

Note: According to "Company law of the People's Republic of China" and the Articles of Association, the Company are required to transfer 10% of its net profit to the statutory surplus reserve. The transfer may be ceased if the balance of the statutory surplus reserve has reached 50% of the Company's registered capital. Statutory surplus reserve can be used for making up losses, or to increase the capital after approval. The Company transfer RMB48,080,309 to the statutory surplus reserve in 2014 (2013: RMB240,832,748). Since the balance of the statutory surplus reserve has reached 50% of its registered capital, the Company didn't transfer any more.

#### 22. Retained profits

Unit: RMB

Item	Current year	Prior year
Opening retained profits	3,588,613,312	3,234,707,681
Add: Net profit attributable to owners of the Company for the year	2,490,635,303	2,408,327,479
Less: Appropriation to statutory surplus reserve	48,080,309	240,832,748
Declaration of dividends on ordinary shares	1,914,344,050	1,813,589,100
Closing retained profits	4,116,824,256	3,588,613,312

Note 1: Appropriation to statutory surplus reserve

According to the Articles of Association, the Company is required to transfer 10% of its net profit to the statutory surplus reserve. The transfer may be ceased if the balance of the statutory surplus reserve has reached 50% of the Company's registered capital.

Note 2: Cash dividends approved in shareholders' meeting during the year

In 2014, on the basis of 5,037,747,500 issued shares (with the par value of RMB1 per share), dividends in cash of RMB0.38 per share were distributed to all the shareholders.

Note 3: Profit distribution decided after the balance sheet date

According to a proposal of the board of directors on 27 March 2015, on the basis of 5,037,747,500 issued shares (with the par value of RMB1 per share) in 2015, cash dividends of RMB0.38 per share will be distributed to all the shareholders. The above proposal regarding dividends distribution is yet to be approved in a shareholders' meeting.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

(continued)

#### 23. Operating income and operating costs

(1) Operating income

Unit: RMB

Item	Amount recognized in the current year		Amount recognized in the prior year	
	Operating income	Operating costs	Operating income	Operating costs
Principal operating income	6,756,383,604	3,542,296,839	6,737,272,673	3,382,239,498
Including: Shanghai-Nanjing Expressway	4,490,913,228	1,107,253,412	4,521,752,601	1,085,364,846
312 National Highway	53,001,537	276,893,764	53,434,572	200,674,284
Nanjing-Lianyungang Highway	29,941,035	15,548,066	36,689,037	18,031,586
Ancillary services	2,182,527,804	2,142,601,597	2,125,396,463	2,078,168,782
Total	<u>6,756,383,604</u>	<u>3,542,296,839</u>	<u>6,737,272,673</u>	<u>3,382,239,498</u>

#### 24. Business taxes and levies

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Business tax	150,485,332	147,592,523
City construction and maintenance tax	11,716,361	11,392,023
Education surcharge	8,415,107	8,197,555
Total	<u>170,616,800</u>	<u>167,182,101</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

(continued)

#### 25. Administrative expenses

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Salaries	37,115,469	35,636,561
Depreciation and amortization	68,736,356	68,827,415
Audit fee	3,488,850	2,780,000
Consulting and intermediary service fee	11,425,822	9,810,055
Properties tax and other taxes	15,600,622	14,657,250
Entertainment fee	822,543	1,076,994
Maintenance and repair costs	5,359,609	2,377,654
Office expenses	279,680	266,241
Travelling expenses	401,283	1,078,476
Vehicle related expenses	1,015,884	1,069,059
Others	6,758,663	7,491,981
Total	151,004,781	145,071,686

#### 26. Financial expenses

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Interest of bond	232,321,655	158,314,176
Interest of bank loans	41,666,072	90,805,537
Include: Interest on bank loans within 5 years	41,441,667	90,364,310
Total interest expenses	273,987,727	249,119,713
Less: Interest income	1,777,588	2,840,045
Exchange differences	4,030,747	(2,780,748)
Bond issue fee and other loan charges	12,110,861	13,297,236
Others	575,963	354,584
Total	288,927,710	257,150,740

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

(continued)

#### 27. Impairment losses on assets

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Bad debt provision reversal	(96,127)	(500,000)

#### 28. Investment income

(1) Details of investment income

Unit: RMB

Item	Amount incurred in current year	Amount incurred in prior year
Income from long-term equity investments under equity method	215,407,886	162,370,703
Income from long-term equity investments under cost method	260,492,867	105,619,508
Investment income from available-for-sale financial assets in the holding period	16,000,000	—
Investment income from disposal of available-for-sale financial assets	2,247,063	202,009
Investment income from entrusted loans	105,378,542	23,255,542
Total	599,526,358	291,447,762

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

(continued)

#### 29. Non-operating income

(1) Details of non-operating income are as follows:

Unit: RMB

Item	Amount incurred in current year	Amount incurred in prior year
Total gains on disposal of non-current assets	5,018,251	89,304,144
Including: Gains on disposal of fixed assets	5,018,251	540,235
Gains on disposal of intangible asset	—	88,763,909
Compensation income from damaged road	5,887,166	6,919,424
Government grants	7,370,000	600,000
Others	731,031	3,370,455
Total	19,006,448	100,194,023

Government grant recorded in profit or loss in the current year:

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year	Related to assets/income
Environmental subsidies	7,370,000	—	Related to income
Research funding subsidies	—	600,000	Related to income
Total	7,370,000	600,000	

#### 30. Non-operating expenses

Unit: RMB

Item	Amount incurred in current year	Amount incurred in prior year
Total losses on disposal of non-current assets	6,047,890	7,840,407
Including: Losses on disposal of fixed assets	6,047,890	7,840,407
Repair expenditure of damaged road	14,189,958	15,134,795
Donation	938,120	400,000
Funds	3,293,341	3,156,605
Others	4,049,271	1,109,968
Total losses on disposal of non-current assets	28,518,580	27,641,775

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

(continued)

#### 31. Income tax expenses

Unit: RMB

Item	Amount incurred in current year	Amount incurred in prior year
Current tax expenses	695,855,731	735,951,620
Deferred tax expenses	24,032	5,724,559
Provision of prior years' tax	7,132,761	125,000
Total	<u>703,012,524</u>	<u>741,801,179</u>

No provision for Hong Kong Profits tax has been made as the income neither arises, nor is derived from Hong Kong.

Reconciliation of income tax expenses to the accounting profit is as follows:

Unit: RMB

	Amount incurred in current year	Amount incurred in prior year
Accounting profit	3,193,647,827	3,150,128,658
Income tax expenses calculated at 25% (prior year: 25%)	798,411,956	787,532,165
Effect of expenses that are not deductible for tax purposes	20,442,996	15,542,008
Effect of tax-free income	(122,975,189)	(66,997,553)
Effect of adjusting income tax in the previous periods	7,132,761	5,724,559
Total	<u>703,012,524</u>	<u>741,801,179</u>

#### 32. Other comprehensive income

See note (XV) 20 for detail.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

(continued)

#### 33. Supplementary information of income statement

Unit: RMB

Item	Amount incurred in current year	Amount incurred in prior year
Employee benefits	493,513,776	443,230,678
Depreciation and amortization	884,206,918	814,957,579
Toll related expenses	104,709,169	98,645,854
Road maintenance expenses	108,450,537	112,843,688
System maintenance expense	33,597,018	28,933,734
Petroleum in the service zone	1,910,836,085	1,866,535,861
Retail goods in the service zone	84,128,075	71,195,903
Audit fee	3,488,850	2,780,000
Consulting and intermediary service fee	11,425,822	9,810,055
Properties tax and other taxes	15,600,622	14,657,250
Others	43,344,748	63,720,582
Total	<u>3,693,301,620</u>	<u>3,527,311,184</u>

#### 34. Notes to items in the cash flow statement

- (1) Other cash receipts relating to operating activities

Unit: RMB

Item	Amount incurred in current year	Amount incurred in prior year
Receipts from compensation of damaged road and non-operating income items, etc.	10,843,427	15,420,936
Receipts from interest income of bank deposit	1,777,588	2,840,045
Total	<u>12,621,015</u>	<u>18,260,981</u>

- (2) Other cash payments relating to operating activities

Unit: RMB

Item	Amount incurred in current year	Amount incurred in prior year
Payment of non-salary and other expenditure	<u>77,440,556</u>	<u>50,420,416</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

(continued)

#### 34. Notes to items in the cash flow statement (continued)

- (3) Other cash receipts relating to investing activities

Unit: RMB

Item	Amount incurred in current year	Amount incurred in prior year
Withdraw funds from Ninghu Properties	—	1,190,000,000

- (4) Other cash payments relating to investing activities

Unit: RMB

Item	Amount incurred in current year	Amount incurred in prior year
Lending funds to Ninghu Properties	310,000,000	—

- (5) Other cash payments relating to financing activities

Unit: RMB

Item	Amount incurred in current year	Amount incurred in prior year
Bond issue fee and other charges of loans	12,110,861	23,297,236

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

(continued)

### 35. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Unit: RMB

Supplementary information	Current year	Prior year
<b>1. Reconciliation of net profit to cash flow from operating activities:</b>		
Net profit	2,490,635,303	2,408,327,479
Add: Reversals of provision for impairment losses of assets	(96,127)	(500,000)
Depreciation of fixed assets	162,262,446	136,567,810
Amortization of intangible assets	721,944,472	678,389,769
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains are indicated by “—”)	1,029,639	(81,463,737)
Financial expenses (income is indicated by “—”)	286,098,588	259,636,201
Losses arising from investments (gains are indicated by “—”)	(599,526,358)	(291,447,762)
Decrease in deferred tax assets (increase is indicated by “—”)	24,032	125,000
Decrease in inventories (increase is indicated by “—”)	(621,264)	(511,005)
Decrease in receivables from operating activities (increase is indicated by “—”)	(279,079,028)	24,851,015
Increase in payables from operating activities (decrease is indicated by “—”)	(22,956,563)	(43,213,232)
Net cash flow from operating activities	2,759,715,140	3,090,761,538
<b>2. Significant investing and financing activities that do not involve cash receipts and payments:</b>	—	—
<b>3. Net changes in cash and cash equivalents:</b>		
Closing balance of cash	238,658,010	220,826,123
Less: Opening balance of cash	220,826,123	400,877,755
Net increase (decrease) in cash and cash equivalents	17,831,887	(180,051,632)

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

(continued)

### 36. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

- (1) Sales and purchase of goods, provision and receipt of services

Purchase of goods and receipt of service:

Unit: RMB

Related party	Type of related party transactions	Amount incurred in the current year	Amount incurred in the prior year
Network Operation Company*	Management fee for toll road system management and maintenance	22,417,164	24,255,361
Sundian*	Road maintenance fee	26,669,896	28,000,000
Nanlin Hotel*	Food and beverage	130,695	297,447
Far East Shipping*	Entrusted loans' interest expense	11,558,333	11,400,722
Guangjing Xicheng	Entrusted loans' interest expense	555,333	729,589

Pricing and decision-making procedures of related party transactions: For significant related party transactions, the price is settled by public tender bid price, or for reference of quote from independent, qualified construction provider after arm's length negotiation in principle that less than relevant market price. The Board Meeting should review and approve the quote and the related director should abstained from voting. The independent directors should then express an independent opinion. For other insignificant related party transactions, the price is settled by signed contracts.

Sales and provision of service:

Unit: RMB

Related party	Type of related party transactions	Amount incurred in the current year	Amount incurred in the prior year
Kuailu Co., Ltd.	Petrol fee	9,853,140	12,743,944
Kuailu Co., Ltd.	Toll road fee	4,200,000	7,800,000
Ninghu Properties	Entrusted loans' interest income	105,378,542	23,255,542

Pricing and decision-making procedures of related party transactions: For significant related party transactions, the price is settled by public tender bid price, or for reference of quote from independent, qualified construction provider after arm's length negotiation in principle that less than relevant market price. The Board Meeting should review and approve the quote and the related director should abstained from voting. The independent directors should then express an independent opinion. For other insignificant related party transactions, the price is settled by signed contracts.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

(continued)

#### 36. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(2) Leases with related parties

Leases where a company is the lessor:

Unit: RMB

Name of lessee	Type of leased assets	Lease income recognized in the current year	Lease income recognized in the prior year
Network Operation Company*	Fixed assets	5,217,914	4,460,000
Sundian*	Fixed assets	1,690,000	1,690,000

Leases where a company is the lessee:

Name of lessor	Type of leased assets	Lease expense recognized in the current year	Lease expense recognized in the prior year
Ninghu Investment	Fixed assets	770,000	770,000

(3) Guarantees with related parties

A company as the guaranteed party:

Unit: RMB

Guarantor	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed
Communications Holding*	21,224,696	15 October 1998	18 July 2027	Not completed

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

(continued)

#### 36. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

- (4) Borrowings/loans with related parties

In the current year:

Unit: RMB

Related party	Amount of borrowing/loan	Inception date	Maturity date	Remarks
<b>Borrowed from:</b>				
Far East Shipping*	190,000,000	30 August 2013	30 August 2014	Entrusted loan with annual interest rate of 6%
Far East Shipping*	190,000,000	13 August 2014	13 August 2015	Entrusted loan with annual interest rate of 6%
Guang Jing Xi Cheng	70,000,000	25 September 2013	24 March 2014	Entrusted loan with annual interest rate of 5.6%
<b>Lend to :</b>				
Ninghu properties	200,000,000	24 October 2013	23 October 2016	Entrusted loan with annual interest rate of 6.15%
Ninghu properties	140,000,000	15 November 2013	14 November 2016	Entrusted loan with annual interest rate of 6.15%
Ninghu properties	500,000,000	4 September 2013	3 September 2016	Entrusted loan with annual interest rate of 6.15%
Ninghu properties	250,000,000	11 November 2013	11 November 2016	Entrusted loan with annual interest rate of 6.15%
Ninghu properties	300,000,000	24 October 2013	24 October 2016	Entrusted loan with annual interest rate of 6.15%
Ninghu properties	150,000,000	17 October 2013	17 October 2016	Entrusted loan with annual interest rate of 6.15%
Ninghu properties	150,000,000	17 October 2013	17 October 2015	Entrusted loan with annual interest rate of 6.15%

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

(continued)

#### 36. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(4) Borrowings/loans with related parties (continued)

In the prior year:

Unit: RMB

Related party	Amount of borrowing/loan	Inception date	Maturity date	Remarks
<b>Borrowed from:</b>				
Far East Shipping*	40,000,000	29 March 2013	29 August 2013	Entrusted loan with annual interest rate of 6%
Far East Shipping*	50,000,000	10 May 2013	29 August 2013	Entrusted loan with annual interest rate of 6%
Far East Shipping*	100,000,000	25 June 2013	29 August 2013	Entrusted loan with annual interest rate of 6%
Far East Shipping*	190,000,000	30 August 2013	30 August 2014	Entrusted loan with annual interest rate of 6%
Guang Jing Xi Cheng	70,000,000	25 September 2013	24 March 2014	Entrusted loan with annual interest rate of 5.6%
<b>Lend to:</b>				
Ninghu properties	200,000,000	24 October 2013	23 October 2016	Entrusted loan with annual interest rate of 6.15%
Ninghu properties	140,000,000	15 November 2013	14 November 2016	Entrusted loan with annual interest rate of 6.15%
Ninghu properties	500,000,000	4 September 2013	3 September 2016	Entrusted loan with annual interest rate of 6.15%
Ninghu properties	250,000,000	11 November 2013	11 November 2016	Entrusted loan with annual interest rate of 6.15%
Ninghu properties	300,000,000	24 October 2013	24 October 2016	Entrusted loan with annual interest rate of 6.15%
Ninghu properties	150,000,000	17 October 2013	17 October 2016	Entrusted loan with annual interest rate of 6.15%
Ninghu properties	150,000,000	17 October 2013	17 October 2015	Entrusted loan with annual interest rate of 6.15%

(5) Property transfer and debt recombination with related parties

Unit: RMB

Related party	Type of related party transactions	Amount incurred in the current year	Amount incurred in the prior year
Network Operation Company*	Compensation for the demolition of the Company's houses	7,503,200	—

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

(continued)

#### 36. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

- (6) Compensation for key management personnel

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Compensation for key management personnel	2,595,331	2,537,595

- (7) Other explanations

\* Representing the connected transaction as defined in Chapter 14A of the Listing Rules.

- (8) Amounts due from/to related parties

Amounts due from related parties

Unit: RMB

Item	Related party	Closing balance		Opening balance	
		Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Accounts receivable (note)	Guangjing Xicheng	1,938,065	—	1,752,494	—
	Ninghu Investment	10,392	—	15,650	—
	Kuailu Co., Ltd.	47,601	—	541,226	—
	Sujiahang	7,882,526	—	7,259,979	—
	Yangtze Bridge	465,824	—	178,198	—
Subtotal		10,344,408	—	9,747,547	—
Other receivables	Ninghu Investment	40,091	—	29,997	—
	Ninghu properties	310,000,000	—	—	—
	Network Operation Company	763,429	—	—	—
Subtotal		310,803,520	—	29,997	—
Other non-current assets	Ninghu properties	1,690,000,000	—	1,690,000,000	—
Interest receivables	Ninghu properties	3,175,792	—	3,175,792	—
Dividends receivables	Kuailu Co., Ltd.	4,989,960	—	4,989,960	—

Note: At 31 December 2014, besides the accounts receivable from related party stated above, there are split toll road fee receivables from other expressway companies within the Toll Road Network Companies which amounted to RMB43,043,565 (31 December 2013: RMB33,155,205). The ultimate shareholder of those Toll Road Network Companies is Communications Holding, except for which the Company has no other control, joint control or significant influence relationship with them.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

(continued)

#### 36. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(8) Amounts due from / to related parties (continued)

Amounts due to related parties

Unit: RMB

Item	Related party	Closing balance	Opening balance
Accounts payable (note)	Guangjing Xicheng	1,127,199	989,807
	Sujiahang	2,601,000	2,048,621
	Yangtze Bridge	1,423,980	1,221,044
	Network Operation Company	2,499,527	—
	Sundian	16,290,000	—
Subtotal		23,941,706	4,259,472
Receipts in advance	Sundian	80,000	361,667
	Network Operation Company	1,204,100	—
Subtotal		1,284,100	361,667
Short-term borrowings	Far East Shipping	190,000,000	190,000,000
	Guangjing Xicheng	—	70,000,000
Subtotal		190,000,000	260,000,000
Interest payable	Guangjing Xicheng	—	119,778
	Far East Shipping	348,333	348,333
Subtotal		348,333	468,111
Other payables	Network Operation Company	9,141,375	5,897,529
	Sundian	—	9,351,616
Subtotal		9,141,375	15,249,145

Note: At 31 December 2014, besides the accounts payable to related party stated above, there are split toll road fee payables to the Toll Road Network Companies which amounted to RMB36,681,755 (31 December 2013: RMB15,034,559). The ultimate shareholder of those Toll Road Network Companies is Communications Holding, except for which the Company has no other control, joint control or significant influence relationship with them.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## XVI. SUPPLEMENTARY INFORMATION

### 1. Breakdown of non-recurring profit or loss

Unit: RMB

Item	Amount
Losses (gains) on disposal of non-current assets	1,704,564
Government grants recognized in profit or loss for the current period	(7,370,000)
Gains from changes in fair values of held-for-trading financial investments, Profit on disposal of held-for-trading and available-for-sale financial investments	(10,866,275)
Reversal of provision for accounts receivable which were tested for impairment losses individually	(50,633)
Other non-operating income or expenses other than the above	17,906,907
Tax effects	(331,141)
Effects attributable to minority interests	(246,977)
Total	<u>746,445</u>

### 2. Return on net assets and earnings per share (“EPS”)

The return on net assets and EPS have been prepared by Jiangsu Expressway Co., Ltd in accordance with Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 9 — Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revised 2010) issued by China Securities Regulatory Commission.

Unit: RMB

Profit for the reporting period	Weighted average return on net assets (%)	EPS	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	13.21%	0.5111	N/A
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	13.21%	0.5112	N/A

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### XVI. SUPPLEMENTARY INFORMATION (continued)

#### 3. Calculation process of basic earnings per share and diluted earnings per share

For the purpose of calculating basic earnings per share, net profit for the current year attributable to ordinary shareholders is as follows:

Unit: RMB

	Amount for the current year	Amount for the prior year
Net profit for the current year attributable to ordinary shareholders	2,574,754,312	2,707,743,147
Including: Net profit from continuing operations	2,574,754,312	2,707,743,147
Net profit from discontinued operations	—	—
	<u>2,574,754,312</u>	<u>2,707,743,147</u>

For the purpose of calculating basic earnings per share, the denominator is the weighted average number of outstanding ordinary shares and its calculation process is as follows:

Unit: RMB

	Amount for the current year	Amount for the prior year
Number of ordinary shares outstanding at the beginning of year	5,037,747,500	5,037,747,500
Add: Weighted average number of ordinary shares issued during the year	—	—
Less: Weighted average number of ordinary shares repurchased during the year	—	—
Number of ordinary shares outstanding at the end of year	<u>5,037,747,500</u>	<u>5,037,747,500</u>

Earnings per share

Unit: RMB

	Amount for the current year	Amount for the prior year
Calculated based on net profit attributable to shareholders of the Company:		
Basic earnings per share	0.5111	0.5375
Diluted earnings per share	N/A	N/A
Calculated based on net profit attributable to shareholders of the Company:		
Basic earnings per share	0.5111	0.5375
Diluted earnings per share	N/A	N/A
Calculated based on net profit from continuing operations attributable to shareholders of the Company:		
Basic earnings per share	N/A	N/A
Diluted earnings per share	N/A	N/A

Note: At 31 December 2014, there were no dilutive potential ordinary shares issued by the Group.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### XVI. SUPPLEMENTARY INFORMATION (continued)

#### 4. The Group's Summary of performance, assets and liabilities in the past five accounting years

Unit: RMB

Item	2014	2013	2012	2011	2010
<b>I. Total operating income</b>	7,879,076,285	7,614,226,717	7,795,942,681	7,401,310,221	6,756,244,112
Including: Operating income	7,879,076,285	7,614,226,717	7,795,942,681	7,401,310,221	6,756,244,112
Less: Total operating costs	4,767,168,271	4,374,573,648	4,782,951,793	4,331,124,736	3,668,539,923
Including: Operating costs	4,020,311,735	3,694,143,781	4,054,626,690	3,635,778,535	2,958,850,331
Business taxes and levies	240,825,572	202,171,162	209,354,642	186,635,646	178,628,022
Selling expenses	13,806,381	9,832,355	8,525,073	8,569,902	5,122,187
Administrative expenses	179,857,348	176,140,246	177,535,368	183,773,114	163,628,525
Financial expenses	312,417,868	292,786,104	333,410,020	316,953,136	362,390,858
Impairment losses of assets	(50,633)	(500,000)	(500,000)	(585,597)	(80,000)
Add: Gains from changes					
in fair values	3,066,189	2,109,937	(1,011,970)	(922,572)	1,269,570
Investment income	352,287,304	315,399,461	161,448,206	201,464,314	243,081,651
Including: Income from investments					
in associates and joint ventures	310,937,218	265,462,186	133,212,868	190,114,061	213,787,396
<b>II. Operating profit</b>	3,467,261,507	3,557,162,467	3,173,427,124	3,270,727,227	3,332,055,410
Add: Non-operating income	20,779,594	102,541,001	10,127,498	33,448,015	27,541,056
Including: Gains from disposal of					
non-current assets	5,054,693	90,210,095	1,057,746	22,361,221	4,734,618
Less: Non-operating expenses	33,021,065	32,206,354	37,864,698	40,947,911	27,405,424
Including: Losses from disposal of					
non-current assets	6,759,257	9,048,053	16,732,459	24,085,345	10,499,321
<b>III. Total profit</b>	3,455,020,036	3,627,497,114	3,145,689,924	3,263,227,331	3,332,191,042
Less: Income tax expenses	807,730,902	851,870,234	764,453,843	783,532,809	792,651,947
<b>IV. Net profit</b>	2,647,289,134	2,775,626,880	2,381,236,081	2,479,694,522	2,539,539,095
Including: Net profit attributable to owners of the Company	2,574,754,312	2,707,743,147	2,333,344,558	2,429,750,207	2,484,404,028
Profit or loss attributable to minority interests	72,534,822	67,883,733	47,891,523	49,944,315	55,135,067

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

### XVI. SUPPLEMENTARY INFORMATION (continued)

#### 4. The Group's Summary of performance, assets and liabilities in the past five accounting years (continued)

Unit: RMB

Item	2014	2013	2012	2011	2010
<b>V. Other comprehensive income (net of tax)</b>	93,030,727	14,452,952	24,416,693	(35,194,761)	(115,550,005)
Other comprehensive income (net of tax) attributable to owners of the parent company	93,030,727	14,452,952	24,416,693	(35,194,761)	(115,550,005)
(I) Other comprehensive income that will not be reclassified subsequently to profit or loss	—	—	—	—	—
(II) Other comprehensive income that will be reclassified subsequently to profit or loss	93,030,727	14,452,952	24,416,693	(35,194,761)	(115,550,005)
1. Share of other comprehensive income of the investee under the equity method that will be reclassified subsequently to profit or loss	93,030,727	14,452,952	24,416,693	(35,194,761)	(115,550,005)
Other comprehensive income (net of tax) attributable to minority interests	—	—	—	—	—
<b>VI. Total comprehensive income</b>	2,740,319,861	2,790,079,832	2,405,652,774	2,444,499,761	2,423,989,090
Total comprehensive income attributable to owners of the Company	2,667,785,039	2,722,196,099	2,357,761,251	2,394,555,446	2,368,854,023
Total comprehensive income attributable to minority interests	72,534,822	67,883,733	47,891,523	49,944,315	55,135,067
<b>VII. Earnings per share:</b>					
(I) Basic earnings per share	0.5111	0.5375	0.4632	0.4823	0.4932
(II) Diluted earnings per share	N/A	N/A	N/A	N/A	N/A

Unit: RMB

Item	31 December 2014	31 December 2013	31 December 2012	31 December 2011	31 December 2010
Total Assets	27,444,862,983	26,833,912,370	25,849,257,639	25,375,438,896	24,897,493,133
Total Liabilities	6,508,215,110	6,735,684,631	6,693,781,895	6,767,628,925	6,873,448,705
Minority interests	588,309,342	501,743,850	466,614,044	463,120,422	460,321,225
Total shareholders' equity attributable to equity holders of the Company	20,348,338,531	19,596,483,889	18,688,861,700	18,144,689,549	17,563,723,203

# DOCUMENTS AVAILABLE FOR INSPECTION

The following documents were included:

- (1) Copies of the annual report signed by the Chairman;
- (2) Financial statements signed and sealed by the legal representative, the chief accounting officer and the person-in-charge of an accounting institution;
- (3) Original of the auditors' report sealed by the auditor, and sealed and signed by a certified accountant;
- (4) Originals of all company documents and announcements as required by CSRC to be disclosed in the designated press during the Reporting Period;
- (5) Articles of Association of the Company;
- (6) Copies of annual reports released on other stock exchanges.

The above documents are available for inspection at the Secretariat Office of the Board at 6 Xianlin Avenue, Nanjing, the PRC

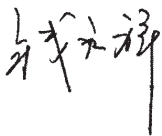
**Qian Yong Xiang**  
*Director and General Manager*

Jiangsu Expressway Company Limited  
Nanjing, the PRC, 27 March 2015

# CONFIRMATION OPINION TO 2014 ANNUAL REPORT BY DIRECTORS AND SENIOR MANAGEMENT

The Company's Directors and senior management hereby confirm in writing that they have reviewed the annual report for the year and are of the opinion that there are no false representations or misleading statements contained in, or material omissions from this report; and that they shall severally and jointly accept responsibility for the truthfulness, accuracy and completeness of the content of this report.

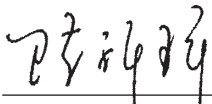
## Directors



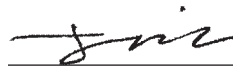
Qian Yong Xiang



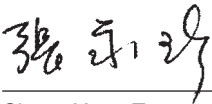
Zhang Yang



Chen Xiang Hui



Du Wen Yi



Chang Yung Tsung, Alice



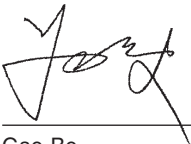
Fang Hung, Kenneth



Zhang Er Zhen



Xu Chang Xin



Gao Bo



Chen Dong Hua

## Senior Management Members



Shang Hong



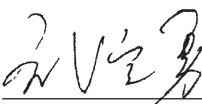
Tian Ya Fei



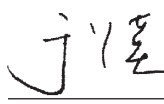
Yao Yong Jia



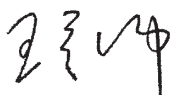
Li Jie



Wu Yi Yong



Yu Lan Ying



Wang Hong Wei

Jiangsu Expressway Company Limited  
27 March 2015

# CORPORATE SOCIAL RESPONSIBILITY REPORT

## Jiangsu Expressway Company Limited 2014 Corporate Social Responsibility Report

The Board and the Directors confirm that this report does not contain any false information, misleading statements or material omissions, and severally and jointly accept responsibility for the truthfulness, accuracy and completeness of the contents contained herein.

### Reporting entity

Jiangsu Expressway Company Limited

### Reporting Period

From 1 January 2014 to 31 December 2014, with some contents extended beyond this time frame for the sake of completeness and continuity of information disclosure.

### Basis of preparation

This Corporate Social Responsibility Report is prepared with reference to related rules and the requirements under the Guidelines on Preparation of Corporate Social Responsibility Report (《公司履行社會責任的報告編制指引》) issued by the Shanghai Stock Exchange and elaborated from the perspective of stakeholders.

### Purposes of the Report

This 2014 Corporate Social Responsibility Report reflects the Company's commitment to promoting the sustainable economic and social development and environmental protection and actively undertaking its social responsibilities for the benefit of stakeholders including shareholders, creditors, employees and clients of the Company with integrity. We hope that this Report will serve as a bridge of communication and interaction with all sectors of the community, and will substantiate these sectors' understanding of the Company. We also hope that, with the issuance of this Report, we are subject to supervision by all parties, who will foster our continuing improvement in serving the community and the public and in carrying out a harmonious development.





# CORPORATE SOCIAL RESPONSIBILITY REPORT

## Consideration and approval

This Report was considered and approved at the 19th meeting of the seventh session of the Board on 27 March 2015.

### I. Corporate social responsibility

#### 1. The Company's understanding of social responsibility

Corporate social responsibility denotes the commitment of a company to the society, employees, customers and environment while creating profits and undertaking legal responsibilities towards shareholders. With the economic and social developments, there is growing concern on the social responsibilities of a corporation, which has become a significant benchmark in the assessment of a corporation.

As a listed company in the transportation and infrastructure industry principally engaged in the investment, construction, operation and management of toll roads and bridges, the Company is of the view that apart from making profit and acting in the interests of our shareholders, we undertake social responsibilities of a multi-dimensional scale, including responsibilities towards our stakeholders such as our employees and consumers as well as the community and the environment.

Guided by the principle of people-oriented and scientific development, and through the refined allocation of social resources the Company strives to pursue the maximization of the integrated values in terms of its business, the society and the environment in order to attain the coordinated and sustainable development.

Based on the foregoing, the Company has made remarkable efforts in continuously creating favourable investment returns for shareholders and in creating benefits for stakeholders including the employees, clients and business partners for the past year. It has also actively achieved environmental friendliness in its enterprise development. This Report truly and objectively reflects the important information on how the Company fulfills its social responsibilities in its operations and management.



# CORPORATE SOCIAL RESPONSIBILITY REPORT

## 2. The Company's responsibilities towards stakeholders

The Company cares and respects all stakeholders. We focus on the bridging of communications with the government, investors, customers, employees, suppliers and non-governmental organizations, and seek to maintain good relationships with all of them on the basis of achievability and balance of interests. This could enable other parties to understand, care more about, actively participates in as well as show support to the development of the Company.

Stakeholder	Our Responsibilities	Major means of communication
Government	<ul style="list-style-type: none"> <li>To abide by laws and regulations, and to observe the regulatory requirements of the government</li> <li>To carry out operations in a lawful manner and pay taxes according to law</li> </ul>	<ul style="list-style-type: none"> <li>Regular reporting</li> <li>Social media</li> <li>To be subject to supervision and scrutiny</li> <li>To participate in policy research and formulation</li> </ul>
Shareholders	<ul style="list-style-type: none"> <li>To be entitled to an equal right to information</li> <li>To achieve a timely, true and accurate information disclosure</li> <li>To maintain high and stable dividend payout ratio</li> </ul>	<ul style="list-style-type: none"> <li>To hold general meetings</li> <li>To run interactive activities for investors</li> <li>To achieve a disclosure of information to external parties</li> </ul>
Creditors	<ul style="list-style-type: none"> <li>Be of integrity and to repay loans in a timely manner</li> </ul>	<ul style="list-style-type: none"> <li>To achieve a true and accurate information disclosure</li> </ul>
Customers	<ul style="list-style-type: none"> <li>To establish safe, convenient and comfortable transportation environment</li> <li>To provide high-quality services to raise the level of customer satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>To collect comments from customers and provide feedback</li> <li>To provide return-visit call on services</li> <li>To maintain electronic information platform</li> <li>To handle customers' complaints</li> </ul>
Employees	<ul style="list-style-type: none"> <li>To offer stable and reasonable remuneration packages</li> <li>To provide opportunities for career development</li> <li>To protect lawful rights and interests of employees</li> </ul>	<ul style="list-style-type: none"> <li>To organize trade union and to convene workers' conference</li> <li>To collect and analyze employees' views, and to render suggestions and feedback thereon</li> <li>To run staff training</li> </ul>
Community and environment	<ul style="list-style-type: none"> <li>To maintain safe workplace</li> <li>To preserve resources, conserve energy and reduce consumption</li> <li>To focus on environmental protection</li> <li>To proactively engage in charitable activities in the promotion of a harmonious development of the society</li> </ul>	<ul style="list-style-type: none"> <li>To make merits and rewards available</li> <li>To maintain communication with the environmental protection departments</li> <li>To promote learning and sharing of advanced experience from home and abroad</li> </ul>

# CORPORATE SOCIAL RESPONSIBILITY REPORT

## II. Road of continuous development — Stable operation

### 1. Optimizing the strategic management system of the Company, and continuing to advance the coordinated development of one main and two supplementary businesses

The Company is principally engaged in the investment, construction, operation and management of toll roads and bridges. We have the social responsibilities to facilitate social and economic developments by meeting the public demand for transportation services. The development of the main business and the expansion of the supplementary businesses of the Company laid the foundation for its continuous and healthy development.

In 2012, the Board considered and approved the “Twelfth Five-Year” development plan of the Group and started full implementation. This plan determined the “233” strategic development system, that is, implementing the three strategies of “enhancement of principal business”, “business expansion” and “extension of platforms”, on the two bases of boosting the infrastructure operation and management capability and investment management capability, and preliminarily setting up the distribution framework of “one core and two supports” of three sectors, thereby laying a solid foundation for mid- and long-term strategic transformation.

2014 was the key year for implementation of the “Twelfth Five-Year” development plan of the Group. In order to consummate various goals of the “Twelfth Five-Year” development plan, the Group prepared and issued the strategic performance indicators and detailed targets in the strategic plan for 2014 based on the strategic plan of “Twelfth Five-Year” development plan, key performance indicators and the Strategic Management Measures of the Company (《公司戰略管理辦法》), confirming the targets of strategic key performance indicators and detailed target set for the year in the strategic plan. In the end of the year, the Company analyzed the implementation of targets set in the strategic plan for the year, facilitating the development strategy of the Company in the “Twelfth Five-Year” period. Various tasks of the Group were carried out steadily in an orderly manner. Strategic plan of four levels, which comprise financial level, client level and internal operation level (including strategies of three great business including improvement of major businesses, business expansion and platform extension) as well as learning and growth level, were fundamentally and smoothly completed. In addition, the Group obtained material progress in aspects of expansion of major businesses, corporate culture and team building.

For the development of major businesses, the Group seized the timely opportunity of the reinforcement of functional restructuring of road and bridge enterprises by the holding company, and actively operated the merger and restructuring of Ningchang Zhenli and Xiyi Company, and the Board’s approval procedures for which were completed by the end of 2014, and were considered and approved at the extraordinary general meeting on 12 March 2015. Relevant business registration procedures are currently being performed. Upon completion of the two transactions, the scope of the main business of the Group further expanded. Moreover, the construction and development of Changjia Expressway, a greenfield investment of the Group, was undergone in an orderly manner as scheduled, and Zhendan Expressway has completed the establishment of project company, actively promoting the preparation for the commencement of the project.

For the development of auxiliary businesses, property projects and development were implemented in accordance with the plan for the year. The Company continued to take appropriate opportunity to increase land reserves, and acquired the land use right of parcel No. 2 located in the central business district of new city in the south of Nanjing by submitting bids at an auction, making substantial advances in commercial property development. The Company actively operated the project regarding establishment of private equity funds jointly developed with Luode Fund, tried to adapt to the new mode for investment and development of commercial properties, and obtained progressive improvement. Meanwhile, Jiangsu GCL Gas, shares in which were partially held by the Company, improved the construction of service zone LNG gas stations of Shanghai-Nanjing Expressway. Gas stations in the northern area of Yang Cheng Hu, southern area of Mei Cun and southern area of Xianrenshan were fundamentally constructed.

## CORPORATE SOCIAL RESPONSIBILITY REPORT



### 2. Proactively promoting the information technological development, and boosting the “smart” upgrade of the Shanghai-Nanjing Expressway

The year of 2014 marks the Company's implementation of “132” information technology project (「132」信息化工程), during which we energetically constructed “one data center and two operational systems” and carried out the development of the standardized normative system as well as the operational and maintenance system. In December 2014, the aforementioned project passed the examination organized by the Department of Transportation of Jiangsu Province. The Examination and Check Committee appraised that “the trial operation of the demonstrative engineering works along the Shanghai-Nanjing Expressway revealed functional stability and good usability, thereby having reached the expected target of the project construction.”

The said demonstrative project took an active role in the functional analysis and application of the mega-data in the operation and management of the Shanghai-Nanjing Expressway, the enhancement of coordination and dispatch capabilities, the improvement on the efficiency of hindrance clearance and other aspects. Meanwhile, this project facilitated a greater degree of convenience for public transportation. Mei Village Information Port (梅村信息港), the first-ever highway information service port in the province, was in operation prior to the National Day of 2014. It provided real-time information on road condition, weather, traffic, service area consultancy, nearby transportation interchange GPS service and neighboring travel, etc. for mass drivers, conductors and passengers. Moreover, it first provided focused and multi-dimensional information services for drivers and passengers, which paved a new way for the development of diversified service pattern on expressways.

The construction of the Company's information technological system promoted the operational efficiency of the Shanghai-Nanjing Expressway, enhanced the level of public service, and achieved information interaction and data sharing. As such, Jiangsu Expressway Company Limited obtained a pioneering position among its peer companies in the area of information technology again.

## CORPORATE SOCIAL RESPONSIBILITY REPORT

### 3. Elevating the quality of on-site management and control of expressways for the benefit of the smoothness of operation of the Youth Olympic Games

In 2014, in light of the significant opportunity and challenge of “serving the Youth Olympic Games (服務青奧)”, the Company made great effort on providing high-standard and high-quality service and guarantee work. Through further establishment of the service and management brand of “Smooth and Caring Shanghai-Nanjing Expressway”, we made a full presentation of the excellent window civilised as well as brand enterprise image of Jiangsu Expressway Company Limited.

Intensification of the quality maintenance of expressways. Prior to the Youth Olympic Games, the Company conducted improvement on the environment along the Shanghai-Nanjing Expressway with the emphasis on Nanjing section and reinforced the regular and specific maintenance for the expressways. Through the maintenance of a favourable road technical condition, the Company established “a green road of the Youth Olympic Games”.

Further promotion of expressway rescue capability. Emergency response capability is the focus of public concern and is a key to the Company’s mission of ensuring smoothness. The Company continued to improve and promote its hindrance clearance and emergency rescue capability. With various measures put in place including optimal disposition of staff and facilities, launch of anti-congestion scheme, increase of temporary stagnation point, implementation of cross-regional operation and regional interaction, as well as enhancement of on-site strength of outsourced units, we effectively responded to the mass traffic flow during public holidays and festivals by maintaining a relatively high hindrance clearance and rescue service level throughout the year. In 2014, for hindrance clearance, the average rate of arrivals within 30 minutes was 99.0%, the average rate of smoothening of traffic flows within 60 minutes reached 96.2%, and the customer satisfaction rate of hindrance clearance work along the whole expressway reached 100%.

### 4. Strictly implementing policy and proactively maintaining the toll fee levy environment

With the operational philosophy of “the governance of enterprises with ethics, the establishment of business with integrity and the priority of customers”, the Company strictly implemented the toll fee levying standards issued by the provincial government to regulate collection of toll fees, publicize the service standards and address the difficulties and challenges faced by the drivers and passengers.

In 2014, the Company continued to carry out the toll-free policy for light passenger cars during major festive periods. Whilst we proactively implemented policies inclined towards the agricultural sector by carrying out toll-free arrangement for transportation vehicles loaded with fresh agricultural products, the Company promoted the maintenance of an excellent toll fee levy environment as well as the strict execution of the operational procedures. As the fundamental guarantee of the enterprise’s development, the toll fee was fully levied pursuant to regulations and the arrangement thereof was optimized by the Company in terms of system, mechanism and hardware.

# CORPORATE SOCIAL RESPONSIBILITY REPORT

## III. Road of Quality – Service of Integrity

The Company has always been committed to providing “people-oriented” services in directing itself to meet our customers’ demand for public transportation. With a series of measure in place such as the comprehensive implementation of internal control management, the improvement on operational processes and service standards of all service posts, the proactive exploration of value-added services, the optimization of channels for customer feedback in 2014, the Company further improved service quality and customer satisfaction. In 2014, the Company authorized a third party to conduct investigation of clients’ satisfaction of Shanghai-Nanjing Expressway through methods of on-site investigation, WIFI investigation, network investigation and telephone investigation. A total of 19,114 questionnaires (2013: 2,417 questionnaires) were collected through adopting the abovementioned four methods. In particular, WIFI investigation: 17,141 questionnaires (methods newly added in 2014), on-site investigation: 1,492 questionnaires, network investigation: 368 questionnaires, telephone investigation: 113 questionnaires. The results of testing and assessment of clients’ satisfaction showed that the comprehension satisfaction of clients in Shanghai-Nanjing Expressway was 82.1 points, staying at a level of “moderately satisfactory”. In particular, 92.8% of investigated parties expressed that they were “considerably satisfied” or “moderately satisfied” with the overall impression of the customer service of Shanghai-Nanjing Expressway.

### 1. Improving the level of quality and civilised service

In 2014, in addition to continuing substantiation of the routine servicing work under the “attentive Shanghai-Nanjing Expressway”, the Company proactively provided quality and civilised service through carrying out effective activities. In addition, the Company established “168 (help you all the way (一路幫) service center of the Shanghai-Nanjing Expressway)” and constructed the service base for traffic volunteers, which is a new passenger servicing platform, to develop and promote the volunteering spirit of “contribution, friendliness, mutual assistance and progress”. “Cai Wenjing Quality Service Toll Booth (蔡雯靜優質服務收費亭)” wholeheartedly provided 4,000 times of intimate services to public customers, whose exemplary deeds were reported for 22 times by media. As such, this toll booth became a brand servicing window on the Shanghai-Nanjing Expressway. The corresponding “Cai Wenjing Five-Sincerities and Four-Zeroes Working Method (蔡雯靜五心四零工作法)” became the sole achievement within the transportation industry selected by the Innovation and Achievement Exhibition of Youth Civilization in Jiangsu Province (江蘇省青年文明號創新創效成果展). Moreover, this working method was recommended for participation in the assessment of the ten most advanced staff operation methods in Jiangsu Province (江蘇省職工十大先進操作法).

Xuejia Toll Station of the Company stipulated the Safe Production and Standardized Service Specifications of the Self-service Card Sender Lanes (《自助發卡機車道安全生產與標準化服務規範》) after taking into consideration of the practical situation of the self-service card sender lanes. On account of the above, the Company expanded the standardized service specifications of toll stations to the self-service card sender lanes, so as to protect the client’s interests with more normative and intimate service as far as possible.

In a series of activities under the theme of “Welcoming the Youth Olympic Games, Creating satisfying window (迎青奧盛會、創滿意視窗)”, Nanjing Station, as the key playfield area, conducted Chinese-English bilingual service during the Youth Olympic Games. In the course of the said games, the service area carried out hospitality services for 225 Youth Olympic vehicles, and provided guide service for 5,692 athletes and coaches from over 150 countries and regions. Each toll station, service area, maintenance center demonstrated the window image of the Shanghai-Nanjing Expressway in an active manner and received the compliment from the road users.

### 2. Insisting on providing credible services with standardized operation

The Company conscientiously enforced management of the operation of expressway service areas on pricing, quantity and quality. During the year, the Company continued with the launch of campaigns in the selection of “satisfactory service areas” based on factors such as quality of servicing environments, availability of convenient measures and quality of civilized services. At the same time, the Company strives to meet a diverse range of demand of customers whilst achieving the stability of supply of service. In 2014, with the grasp of the opportunity of serving “the Youth Olympic Games”, the Company improved the integrated quality within the service area through the launch of measures including various environmental improvement work, public toilet renovation, enhancement of leasing management, reinforcement of manpower protection, etc.

## CORPORATE SOCIAL RESPONSIBILITY REPORT



Regarding food and beverage sales, in 2014, the Company demonstrated its self-operation advantages to the greatest extent possible and refined each aspect of supervisory work. In order to achieve the overall management and control on food and beverage production, we continuously created new ideas through introducing special flavours and adjusting and expanding varieties of dishes. With the attachment to food safety, we kept a foothold on consumption of popular fast food brands and continued to improve the quality of food and dishes as well as the services. Meanwhile, coping with the changes in the market, we satisfied the diversified demands of customers. The Shanghai-Nanjing Expressway Economic Development Company (滬寧高速公路經營發展公司), a subsidiary of the Company, passed the recommendation and expert assessment of the Industry Association of Jiangsu Province (江蘇省行業協會), and won the title of the “Top Ten Fast Food Brands of Golden Tripod Award in the Food and Beverage Industry of Jiangsu Province in 2014 (2014江蘇餐飲業金鼎獎十佳速食品牌)”.

With respect to the supply of petroleum products, a total of 12 gas stations along the Shanghai-Nanjing Expressway, won the trust of customers through its consistent provision of reliable and quality gas services for more than a decade. In 2014, through various negotiations with Sinopec, the Company achieved the application of the Sinopec IC Card Service for payment purposes at all gas stations along the whole Shanghai-Nanjing Expressway to make flexible, diverse and time-consuming refueling methods available for customers. The achievement of the concept of implemented “one card at hand and refueling all along the road (一卡在手·全線加油)” facilitated the enhancement of ease and satisfaction of the vast drivers and passengers.

With respect to commodity sales, commodity price control was strengthened while the operational principle of “same price in the same city” was implemented. In addition, price checks on retail price of the goods in each service center (leasing unit) with reference to the said principle were conducted from time to time, to ensure the pricing equality among the commodities in the same type, under the same classification, of the same brand, with the same specification available for sale in the service area. This exercise was well commended by the customers.

With respect to the management of public service facilities in the service areas, the Company offered free parking spaces and washroom facilities for customer use. In addition, the Company beautified and decorated the public toilets, laid green skid-resist ground mats and placed green plants. We also made available a range of facilities such as liquid soap, tissue, chart drums, etc. in the interest of comfortability of atmosphere.

# CORPORATE SOCIAL RESPONSIBILITY REPORT

## 3. Strengthening customer relationship management

The Company always adheres to the principle of customer-orientation, with the attachment of great importance to improving quality of services and extent of customer satisfaction. In order to interactions and communications with clients, timely deal with clients' complaints and improve service quality, the Company optimized the process for complaints handling and evaluation methods within the internal control system. This was carried out through implementing the "primary accountability" system, conducting regular analysis, assessment and evaluation in respect of complaints against all entities, publicising the 24-hour customer service hotline on media, billboard at toll stations and the Company's website and promising the delivery of feedback within a prescribed timeframe.

At the same time, the Company has been carrying out research on the level of customer satisfaction by employing trade ethos inspectors and "Mystery Customer". Consistency and comparability are maintained in aspects including assessment methods and benchmarking system so as to strengthen the scientificity research results and the their reference value in practice. During the past few years, the level of customer satisfaction has been rising continuously. According to the assessment results on customer satisfaction in this year, the customers were "relatively satisfied" with the overall service rendered along the Shanghai-Nanjing Expressway.

In 2014, the Company continued to advance the excellent performance management model. Through the collaborative dedication of the self-assessment team, we accomplished the compilation of the first excellent performance self-assessment report. In addition, the Company conducted self-assessment on its existing management according to the requirements of the excellent performance standards.

At the beginning of 2014, the Company was awarded the title of the "Famous Brand in the Service Industry of Jiangsu" by the Famous Brand Promotion Commission of Jiangsu Province (江蘇省名牌戰略推進委員會), which was the first time the Company received this honour. Accordingly, this reflected the Company's efforts on the enhancement of quality control, pursuance of remarkable performance and implementation of branding strategies.

## IV. Road fowards development of a win-win relationship — Care for employees

Employees are an enterprise's wealth and accordingly the cornerstone of its growth and development. The Company is people-oriented, respects the employee's efforts, strives to create a safe and healthy working environment and provides comprehensive medical, retirement and other benefits for employees. The Company endeavored to increase our staff's sense of happiness and belonging through various channels such as improving their comprehensive ability in the form of learning and training enhancement, which facilitate the creation of a harmonious environment for the mutual development of both the Company and its staff.

### 1. Establishing a people-oriented and harmonious employer-employee relationship

The Company adopts a position-based salary system with primary reference to performance. Salaries are determined in accordance with the comprehensive performance appraisal results of each staff, in adherence to the principle of "Salary by Position, Award by Performance", thereby enhancing the fairness and competitiveness of the salary system. In 2014, the reform of remuneration system was further developed by the Company. Through engaging a professional institution to provide advice and evaluation on the design of our broadband salary system and competence for the posts, we could not only motivate our staff in a much better way, but also broaden their access to promotion opportunities.

In addition to our contributions to pension, medical, unemployment, occupational injury and maternity insurance according to relevant requirements of the government, the Company also takes out complementary medical, casualty and other commercial insurances for employees. Except for statutory public holidays, our staff are also entitled to annual paid leave and other vacations. These, coupled with our corporate annuity scheme aimed at improving employees' post-retirement lives, allow longstanding trust relationship built up between our employees and us.

In 2014, the Company won the title of the "Enterprise with Exemplary and Harmonious labour-relationship in Jiangsu Province (江蘇省模範勞動關係和諧企業)", which fully presented the mutual trust and cooperation between the Company and employees in the creation of the mutually-growing, win-win, harmonious, stable labour relationship.



# CORPORATE SOCIAL RESPONSIBILITY REPORT

## 2. Placing emphasis on trainings to improve overall quality of our staff

Employees and high-caliber talents are backbones underpinning corporate development. By strengthening staff education and training, the Company cultivates a corporate culture of team cooperation and continuing learning, and encourages employees to uplift their own work capabilities and competitiveness, thereby realising added value on human resources.

In 2014, the Company provided, at different levels and based on professional expertise, studies on new laws, regulations and policies, new-hire trainings, rotate trainings for basic-level branch secretaries of the Communist Party, trainings the promotion and implementation of corporate cultures, trainings for Level III Physiologist and internal trainings on standardized audit etc. Organization of such training helped enhance the professionalism of the management and the adaptability of re-designated employees. Total spending on these training sessions for the year amounted to approximately RMB2,872,000 (2013: RMB2,897,000), for 7,800 persons (2013: 7,123 persons) and involving staff of various levels from junior servicing staff to senior management members.

At the same time, the Company provided more opportunities to employees for internal selection. Subject to specific conditions such as educational level and area of expertise, applications are open to all staff of the Company. In 2014, the Company employed one financial officer, four deputy directors in the service areas through internal selection. Such open competitive selection won recognition of our staff.

## 3. Advancing democratic management with opening corporate affairs

The Company highly concerned about staff's right to of access to information relating to the corporate management. It adopted policies including making corporate affairs open, implementing inspection systems by staff representatives, organization of employee consultations and gathering of rational advices, as the crucial means to monitor the management. We achieved the consolidation of the mode of opening of our enterprise business respectively at the corporate, managerial and service area levels. Each of the notice boards with corporate affairs was placed at a specific place with uniform format and complete contents. Such information was published in a timely manner with explicit responsibility and sound accounts attached. The qualified rate of opening of corporate affairs exceeded 98% according to the inspection conducted by level-3 staff representatives. In the meantime, the Company proactively improved the policy on face-to-face consultations with employees which demonstrated a significant improvement on the extent of cohesion among them.

The occupational health safety management system was implemented throughout the Company. A dynamic management was also adopted on the network of safety production and organization while the safety production control system was under normal operation. It annually identifies sources of threat and other environmental factors plus risk evaluation and control. With this management method, the Company is able to keep the risk factors under control, ensures that the entire production and operation process is safeguarded, and thus guarantees the staff's occupational health and safety. Moreover, in order to improve safety awareness among the staff, the Company conducted occupational safety and technical training in a number of ways, covering basic knowledge about safety, safe operating skills, handling of accidents and emergencies, self-rescue and first aid for injuries, and required all staff at special positions to hold relevant certificates for the purpose of assumption of duty.



## CORPORATE SOCIAL RESPONSIBILITY REPORT



### 4. Caring employees, embodying our humanistic care

The Company takes active measures to provide employees with comfortable working and living environment. The entertainment facilities in our primary units were further enhanced by making reading rooms, gymnasiums and ball game rooms available.

The Company cares about employees' health, with body checking arranged for the entirety of our workforce every year. Furthermore, the Company engaged experts to conduct lectures on health knowledge and organized recreational and sports activities for employees. The Company also voluntarily helped employees by providing those in difficulties with timely assistance in the form of consolation money or fund-raising exercises to meet their urgent needs. In 2014, the Company offered financial assistance with an aggregate amount of RMB253,000 for five employees according to relevant requirements.

The Company cares about the employees' psychological health. The Company established the psychological counselling system for staff through the cooperation with the Psychological Research Institute of Nanjing Normal University to carry out training for psychology observers. Through the observers, the Company helped the employees alleviate their working and living pressures to prevent psychological problems. This policy fully embodied the Company's respect and humanized care for staff, which continuously improved their job-related happiness and sense of belonging, so as to facilitate the overall development of the Company.

The Company cares about the working conditions of its staff. On the basis of compliance with relevant normative requirements, the Company strived to provide a healthy and comfortable working environment for employees. Accordingly, we examined the quality of the office environment from time to time and allotted high-quality masks for each of the operating personnel. Furthermore, we installed new exhaust system at toll booths, and set up air intakes in woods and wet lands far away from the toll areas. On account of the above measures, the Company got rid of the pollution brought about automobile exhaust and delivered fresh air to toll booths to improve the air quality thereof.

In 2014, with the introduction of employee satisfaction assessments in addition to those on customer satisfaction and the satisfaction with modernization indicators, the Company entrusted the professional consultant organizations to conduct surveys on the satisfaction of all employees in respect of five dimensions including the working environment, working return, working group, working contents, and enterprise recognition. As a result of a preliminary calculation, the overall satisfaction rate of the employees with Jiangsu Expressway Company Limited was higher than the average rate of the service industry within the PRC.

# CORPORATE SOCIAL RESPONSIBILITY REPORT

## V. Win-win Road — Corporate governance

Good corporate governance is the cornerstone of a long-term healthy and stable development for enterprises, while continuing enhancement of governance is indispensable for companies to sustain its healthy development. As such, the Company, in adherence to its corporate philosophy of integrity and diligence, has continuously enhanced its corporate governance level by timely improving its governance system and operational process pursuant to the work arrangements of regulatory authorities as well as the latest rules and regulations. Meanwhile, in accordance with the “Basic Standards for Enterprise Internal Control” and other guidelines, the Company has stepped up the establishment and implementation of its internal control system, and continuously boosted the operation and management level and risk prevention capability, thus providing strong guarantee for the Company to realize strategic transformation.

### 1. Continuously improving the level of normative operation of the Company

The Company created the internal environment in favour of value management through optimizing its corporate governance structure, continuously improved system of the management and control formed by shareholders, Directors and operators, and ensured the effectiveness of corporate governance through implementing the “three-meeting” decision making mechanism (「三會」決策機制) in a structure way. Participating groups in the meetings discharged their own duties, coordinated with each other and exercised effective checks and balances in accordance with regulations and governance rules, which improved the governance standards and decision-making efficiency of the Company. In 2014, in the course of decision-making of related/connected transactions, the Company paid special attention to the demonstration of the roles of independent directors. As such, the relevant matters would be submitted to the Board upon consideration and unanimous approval by the independent Directors, which further enhanced the external supervision and guaranteed the compliance of such transactions with the relevant examination and approval procedures.

The Company is strict in its corporate governance. In addition to complying with the Code on Corporate Governance Practices, the Company has devised various governance policies which are stricter than the standards applicable to the current and proposed rules imposed by the securities regulators in a number of aspects. During the Reporting Period, pursuant to the requirements of the Hong Kong Stock Exchange, the Company amended the Rules of Procedures of the Nomination Committee. Such work provided reference for the proportional diversity of the Board, and improved the scientific decision-making as well as the effective operation of the Board, so as to achieve a high-standard corporate governance.



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In 2014, the Company actively adapted itself to changes in the supervisory focus of the CSRC, further strengthened the consciousness of regulated operation, optimized the internal responsibility mechanism and continuously improved the self-governing capacity of the Company. The Company as a listed company received many awards in the respect of management, including being on the main list of “Top 100 of Comprehensive Capacities-Top 100 HK Listed Companies of Finet” (財華網港股100強「綜合實力100強」主榜) for the first time and ranked 92th among all companies listed in Hong Kong; “Titanium Gold-Best Corporate Governance Award in Treasury” (「《財資》最佳公司治理獎項」鈦金獎) in 2014 and “Gold Bull of China Securities Journal” (《中國證券報》金牛獎). In June 2014, during the annual management performance evaluation of listing companies in 2013 organized by the Shanghai Stock Exchange, the Company passed both assessments on secretarial duties of the Board and information disclosure with excellence, the results of which were among the top ones of all listed companies. The achievement of the aforesaid awards revealed reflected the Company’s remarkable performance in corporate governance and maintenance of investors’ relationship.

### 2. Information disclosure and management of investors’ relationship

The Company attaches great importance to the management of investor relations. Through active and transparent information disclosure, and the bilateral interaction with investors, it strengthens investors’ understanding in the Company’s businesses to facilitate their making of objective and accurate investment decisions.

During the Reporting Period, the Company has been in strict compliance with the listing rules of and relevant requirements of information disclosure imposed by both the SSE and the Stock Exchange. In addition, we conducted audit work prior to the issuance of each announcement, communicated and coordinated with each intermediaries with diligence, and guaranteed that the contents and procedures of all information disclosure were in line with the requirements under the listing rules of both exchanges. The Company promptly disclosed important information and matters which may affect investors’ interests by issuing periodic and ad hoc announcements, aiming at raising the quality of information disclosed. In 2014, the Company simultaneously released 27 onshore and offshore announcements in accordance with the legal disclosure requirements and in reflection of extraordinary major events.

The Company fosters the market investment atmosphere, delivers positive signals and consolidates market investment confidence by means of proactive investor relations events. In 2014, the Company kept close contact with domestic and foreign media and investors through various means such as results announcement presentations, press conferences, domestic and overseas road shows, regular meetings with visiting investors and analysts, teleconferences and so forth. Major events were carried out in the following ways:

- ◇ Investors’ inquiries made through the investor hotline, company website and e-mail were responded to in a timely manner and operational information was dispatched to investors regularly on our own initiative.
- ◇ Site visits to the Company or 37 specific teleconferences were organized for investors and analysts: 12 batches of visits to the Company by domestic and foreign investors (19 persons in total) were received during the year.
- ◇ Various promotion activities including roadshows and press conferences on results announcement presentations, overseas roadshows, various investor forums and face-to-face communications with investors were conducted. Five major presentations were attended or organized by us and 45 one-to-one meetings with institutional investors were convened in 2014 with details as follows:

January	— Participated in the “Greater China Conference” organized by Deutsche Bank
March	— Held 2013 annual results presentation and investor roadshows in Hong Kong
August	— Held 2014 interim results presentation and investor roadshows in Hong Kong
September	— Participated in the annual investors launch organized by Nomura Securities
October	— Participated in the special investment forum in respect of Shanghai-Hong Kong Stock Connect organized by UBS and Haitong Securities

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In 2014, with the opportunity of informational technological development and upgrading of portal website of the Company, the Company modified contents along the column of investor relation to a large extent, with reference to the website development of several large A+H listed companies, and adjusted column setting and content arrangement from the perspectives of regulatory requirements and investor's needs. The aforesaid were carried out to achieve investors' easier access to information and interactive communication between other companies and us.

In October 2014, the Company was awarded the Best Annual Report Awards: Citation for Corporate Governance Disclosure (最佳年報獎 — 最佳企業管治資料披露大獎) issued by The Hong Kong Management Association, in recognition of a detailed, accurate timely and clear disclosure in annual reports, in particular for the transparency of corporate governance report and the level of governance presented.

### 3. Establishing of long-term investor return mechanism

While capitalizing on the rapid development of the capital market, the Company regarded bringing positive returns to shareholders as its important mission and business philosophy, and strived to enable investors to better share the results from the development of the Company. The Company actively assisted regulators on the publicity and education work with respect to investor protection, via special reports in the "China Daily" and "Shanghai Securities News". On the one hand, it guided investors to develop a long-term and rational investment philosophies and actively promoted an equity culture of bringing return to shareholders, thus cultivating a harmonious and win-win investment and financing environment and value-investing atmosphere as well as fulfilling due diligence obligations of listed companies for promotion of a sustainable and healthy development of the capital market in the PRC. On the other hand, it also set a good corporate image in the capital market, fully embodied the integrity of the Company as a public company and its sense of social responsibility of bringing return to shareholders, which helped strengthen investors' confidence in long-term support to the Company, guide investors to establish a long-term and rational investment philosophies for the sake of a virtuous cycle of capital.

In respect of its implementation, the Company formulated a stable dividend distribution policy and the decision-making procedures and mechanism in association therewith under its articles of association in order to achieve the fulfilment of its social responsibility and reach out to the society, and actively advocated the equity culture of shareholders' returns. The Company in so doing, could help foster harmonious and win-win investment and financing environments and value-investing atmosphere, and made due efforts and contributions to promoting the sustained and healthy development of capital markets. As at the end of 2014, the Company had distributed cash dividends of an aggregate amount of RMB19,326 million, with average payout ratio reaching 75% and accumulated dividend per share amounting to RMB3.8417, thus enabling shareholders to derive good returns from the development of the Company.

In 2014, the Board of the Company proposed to distribute a cash dividend of RMB0.38 per share, and the payout ratio reached 74.35%.

During the Reporting Period, the Company was rated as a model of the best company in cash dividend distribution in Jiangsu by Jiangsu Bureau of the CSRC, and one of five listed companies in the the PRC in cash dividend promotion elected by the SSE. In August 2014, the Company was awarded the title of 2013 Gold Bull – Best Cash Dividend Distribution Company by China Securities Journal.

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## 4. Launching comprehensive risk management and corporate internal control

The Company attached high priority to risk management and control. In 2011, it established the “four-standard” internal control management system and, on the basis of application of internal control system throughout the entire operation process, the Company continued to and one-entity focus on promoting the Company’s development, enhancing management and efficiency, and strengthening internal control and preventing risks.

At the same time, the Company further strengthened its day-to-day risk monitoring and management, analysed internal operating conditions and collected external information on a regular basis, issued alerts and exercised control in accordance with pre-arranged risk management plans, and promptly modified risk management in line with internal and external business circumstances as well as changes in the risk environment. The Company ensured that its internal control systems operated effectively by checking its improvement progress through continuous monitoring and self-evaluation of members of management on an annual basis, and gradually fused the internal control systems with its daily operations management, for the purpose of improving the implementation of internal control and regulatory systems, strengthening supervision and inspection of the same, and formulating a sustainable internal control mechanism for the Company.

In mid-2014 and at the end of 2014, the Company set up a self-evaluation internal control team, to conduct review and evaluation on the effectiveness of the design and operation of key control pursuant to the requirements of the “Application Guidelines on Corporate Internal Control” and the “Guidelines on Evaluation of Corporate Internal Control” coupled with the actual operating situation of the Company. Such review and evaluation were carried out on five aspects including control environment, risk identification and assessment, control measures, information and communication, and supervision and inspection. The team was of the opinion that the Company’s internal control system and implementation thereof were basically sound and effective, and fulfilled the requirements of various disciplines including corporate governance, operation, management, finance, investment and administration and human resources management, in the interest of an effective control over various operational and management risks of the Company. No major defects were identified in the design and implementation of the internal control system. The statistical results of internal control appraisal test in a successive three years show that the number general defects decrease year by year, the magnitude risks indicates a downward trend, and the internal control presents good performance in the Company.

# CORPORATE SOCIAL RESPONSIBILITY REPORT

## VI. Green road — Environmental protection

The Company viewed environmental protection as an essential component of the sustainable development strategy of an enterprise. With the Comprehensive implementation of ISO14001 Environmental Management System, coupled with the operational reality, energy saving and scientific adjustment, the Company effectively fulfilled its enterprise obligations to the environment and accordingly achieved the sustainable development.

### 1. Promoting environmental protection concepts and increasing awareness of environmental protection

The Company places emphasis on cultivating its employees' environmental protection awareness, implements the environmental protection concept throughout the whole process of operation and management, and actively guides the employees to start from themselves in incorporating environmental protection and conservation into every aspect of the enterprise's operation.

From the managerial perspective, the Company is committed to cost-saving, energy conservation and sharing of information and resources. Alongside the promotion of a paperless working environment, electronic and network-based operation modes including the Office Automation System and video conference system were successfully set up, thereby facilitating a full capitalization on modern information technologies. The Company applied various initiatives to control the consumption of energy such as water, electricity, gas, petroleum coupled with materials such as vehicles and maintenance and emission facilities, for the sake of a solid foundation on management and control.

In 2014, a total of 11 QC quality control teams of the Company won the titles of "Excellent Quality Control Team (優秀質量小組)" awarded by the Transportation Enterprise Association of Jiangsu Province (江蘇省交通企業協會) and one title of "Quality Trustworthy Team (質量信得過班組)" elected by the Transportation Enterprise Association of the PRC (中國交通企業協會); among which, three QC quality control teams won the "Excellent Quality Control Team (優秀質量小組)" awarded by the Transportation Enterprise Association of the PRC; four QC quality control teams won the title of "Excellent Quality Control Team" awarded by the Quality Control Association of Jiangsu Province (江蘇省質量管制協會). "Enhancement of License Plates Recognition Rate (《提高車牌照識別率》)" and "Research and Manufacturing of Self-luminous Tailstock Cover of Trucks (《大車自發光車尾罩的研製》)" won the title of "Excellent Prize of the PRC" in the quality control achievements selection organized by the Quality Control Association of the PRC.

### 2. Focusing on ecological protection and strengthening pollution prevention and control

To strengthen environmental protection and management of the Company and comprehensively implement the strategy of sustainable development, the Company formulated a series of internal control system documents on environmental protection such as Measures on the Administration of Environmental Protection (《環境保護管理辦法》), Identification of Environmental Factors and Procedures of Risk Assessment and Risk Control (《環境因素辨識、風險評價和風險控制程序》), Procedures for Treatment and Disposal Control of Solid Waste (《固體廢棄物處理處置控制程序》), Procedures for Control and Management of Energy and Resources (《能源、資源控制管理程序》) and so forth, pursuant to PRC Environmental Protection Law (《中華人民共和國環境保護法》). The Company established an environmental protection committee with the general manager as its main person responsible for the comprehensive implementation of the three-level environmental protection system which involved the Company, secondary units and grass-roots units.

## CORPORATE SOCIAL RESPONSIBILITY REPORT

Pursuant to the philosophy and requirements on the construction of road projects under the theme of green and low-carbon stipulated by the Ministry of Transportation, the Company proactively promoted the implementation of “the Project under the Theme of Green and Low-carbon Roads in Shanghai-Nanjing Expressway (滬寧綠色循環低碳公路主題性項目)”. With the performance of renovation work of the service areas along the Shanghai-Nanjing Expressways as well as the daily maintenance work. Whilst the highway is in operation, the Company studied, explored and promoted the establishment of energy conservation and emission reduction system in operating expressways to prepare the Construction and Implementation Scheme of the Project under the Theme of Green and Low-carbon Shanghai-Nanjing Expressway (《滬寧綠色循環低碳公路主題性項目建設實施方案》). At present, this scheme has smoothly passed the assessment and publicity of the Ministry of Transportation and stepped into the construction stage.

Requirements on environmental protection are included in our tenders for road construction and maintenance projects. The Company conducts a comprehensive evaluation of the potential environmental impact of the project on the areas along expressways; and with particular respect to the degree and extent of any adverse impact, proposes in the course of design and construction measures and counterplans prevent and control pollution, reduce the extent of environmental impact and improve existing environmental issues. The Company adopted various measures. In 2014, it spent a total of approximately RMB 26 million on Shanghai-Nanjing Expressway with the use of road milling materials of 11,436 m<sup>3</sup>. According to its record, approximately 7,495m<sup>3</sup> of such milling materials were stacked at fixed points for the construction of roads and approximately 3,941m<sup>3</sup> were used for land reclamation on property construction projects. The recycle rate of road materials was 100%.

The Company adopted measures to reduce noise emission given rise in the course of the operation of expressways. In 2014, the Company adopted at 26 sensitive spots along the expressway corresponding measures of the total length of 6,270 meters, thereby having effectively alleviated the impact of transportation noise on the normal life of local residents.

In the development of production and operation, the Company adopts various effective measures on ecological protection and pollution prevention. We strive to minimize the impact of road operations on the surrounding environment, and achieve the sustainable development of the Company with the balanced coordination among corporate value, living environment and natural resources. In 2014, the Company proactively raised with the government on the discharge the life and production sewage, which was qualified to be connected to the municipal pipes, into the local sewage main pipes. For those without qualifications at present, the Company enhanced the standardized maintenance of the equipments to ensure their stable operation as well as the compliant discharge of sewage, thereby effectively upholding the quality of living environments of the surrounding residents. Meanwhile, pursuant to the environmental protection requirements under the Emission Standard of Cooking Fume in the Food and Beverage Industry (Trial) (《飲食業油煙排放標準試行》) applicable to the medium and high placement vehicles, the Company installed along the expressway fume purification equipment in the service areas as well as at network stations with high placement, to ensure that the fume discharge supervision reached the standards.

In 2014, each management division along the Shanghai-Nanjing Expressway and each unit responsible for the examination and inspection on environmental protection in each service area conducted social public surveys on 858 residents, 215 drivers and passengers as well as 53 units, of which more than 99% of the informants were satisfied or basically satisfied with the environmental protection work of the Company.



## CORPORATE SOCIAL RESPONSIBILITY REPORT

### VII. Road of public welfare — Construction of a harmonious community

While pressing ahead with business operation and development, the Company has actively participated in social and charitable services, performed the obligation as a corporate citizen and encouraged its employees to devote themselves with concrete actions by reaching out to the society. A motion is tabled at the Company's annual Board meeting every year on proposed annual charitable donation projects. In 2014, the Company donated an aggregate of approximately RMB1,376,100 to various community services, including various poverty alleviation funds, education funds and charitable funds.

Regarding charitable causes, the Company has been offering assistance to the development of less developed regions by making focused, targeted donations. In 2014, the Company conducted the urban and rural co-construction work in an active manner, and offered assistance and help to Guizui Villiage in Luji Town of Siyang County, the target of aid. By installing broadcast and publicity equipments, donating audio equipments and purchasing costume for the assistance target, we helped it organize an active village troupe, which was welcomed and praised by the local village committee and the mass villagers.

Moreover, the Company emphasizes on the cultivation of its employees' sense of social responsibility and encourages them to participate in various community services. In August 2014, Kunshan City in Jiangsu Province suffered from a serious explosion. Upon the occurrence of the said incident, the Suzhou and Wuxi Management Divisions of the Company immediately opened "rescuing special lanes" and arranged specially-assigned persons to conduct the guidance work, to ensure the seamless movement of rescue vehicles from various sectors of the society without delay. In the meantime, the Company proactively organized employees to carry out volunteering work and unpaid blood donation activities. Nearly 200 employees of the Company donated 47,500ml blood, which fully embodied selfless dedication of the Company's employees, as a "person from Jiangsu Expressway Company Limited", and their courage to take social responsibilities.

During the Reporting Period, Communist Party branches at the grass-root level established 40 "learning from Leifeng voluntary service teams". Employees of the Company performed voluntary duties such as showing drivers and passengers the way, pushing broken-down cars, providing complimentary drinks and dispersing traffic jam. They are also actively engaged in the community to carry out a series of volunteer activities, such as caring for the stay-at-home children in the remote districts, caring for the deaf and mentally retarded children, approaching broken-winged angel, caring for the vulnerable groups and disabled children, entering the institutional care of the elderly, visiting the elderly of no family, etc. Adhering to the spirit of self-dedication and lighting the hope, the employees brought social warmth to the vulnerable groups. By actively building the public image of caring and selfless dedication as persons from Nanjing and Shanghai, employees demonstrated the corporate culture of the Company of remarkable excellence to the social public.



# CORPORATE SOCIAL RESPONSIBILITY REPORT

## VIII. Conclusion

The Company considers it a duty and obligation to assume social responsibilities. We will take this opportunity of releasing this social responsibility report to accept the supervision of government departments and all communities of the society, firmly implement the scientific outlook on development, continuously improve the construction of the social responsibility management system, and better perform our economic responsibility, social responsibility and environmental responsibility.

Through accumulation of experiences and dedication of efforts, the Company is committed to being a corporate citizen with integrity and responsibility. At the same time, we recognise that major social responsibilities of a corporation and the interests of relevant parties are subject to changes and adjustments at different stages of development. In this regard, we will conduct regular introspection of our social responsibilities, enhance our self-awareness and review our measures to make further and ongoing improvements in response to the needs of the society.

In the future, the Company will further substantiate its principle of social responsibilities, be people-oriented, solid and innovative, provide safe, expedite and comfortable transportation services to the society, satisfy the need of social development for transportation efficiency, and drive the economic growth of neighboring areas. Moreover, the Company will further take into account the respective interests of its shareholders, customers, employees, the government and the communities to achieve a harmonious and win-win scenario between the Company and relevant stakeholders within its reach, continue to pay attention to the environment, build a nice and harmonious homeland, and fulfill mutual development of both the enterprise and the society.





Jiangsu Expressway Company Limited